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NEWS SUMMARY

GENERAL

Rhodesia raid on guerrilla base

Zimbabwe Rhodesian security forces launched their first cross-border raid since the start of the London Constitutional Conference on September 10 when air and ground forces struck at a ZANLA base inside Mozambique.

An official communique said the raid was a "self defence operation". It was the second into Mozambique this month.

Bridget Bloom writes: the Lancaster House conference is unlikely to reach agreement on a new constitution for an independent Zimbabwe before the middle of next week.

It became clear that the leaders of the three delegations will not meet in plenary session until early next week.

Talks were continuing with an official session between the Government and Bishop Muzorewa's delegation.

Liberals reject troops proposal

An attempt to commit the Liberal Party to fixing a date for the withdrawal of British troops from Northern Ireland and replacing them with a UN peace-keeping force, was defeated by a big majority at the party's Margate assembly.

Only Cyril Smith spoke strongly in favour of the proposal and called for a united Ireland and a new initiative in Ulster. Page 9; Politics Today, Page 19

Gracie Fields dies

Dame Gracie Fields, the mill-girl from Rochdale who became a star, died at her home on Capri, where she had lived for 30 years. Obituary, Page 17

ITV pay vote

The 6,000 members of the Association of Cinematograph, Television and Allied Technicians were advised to vote against independent television's offer of about 37½ per cent over two years. Page 14

Ceausescu move

Romania's President Nicolae Ceausescu will be the only Warsaw Pact leader not attending next week's celebration of East Germany's 30th anniversary, apparently reflecting the widening rift between his country and the Soviet Union. Page 2

Fishing protest

Breton fishermen dumped lobsters and crayfish into Roscoff harbour and boarded a cross-Channel ferry in protest at British regulations on shrimp boat nets. Page 31

Stevas probe

Director of Public Prosecutions has asked police to investigate a complaint that Norman St. John Stevas, Leader of the House, infringed electoral regulations by overspending by £1,000 in his campaign. Page 9

Animal outcry

RSPCA officials were called to Heathrow Airport when two men tried to fly to Kuwait with a consignment of racing pigeons, canaries and rabbits packed in tiny crates and cages with no water. The creatures were later loaded into taxis and taken into London.

Pope's flight

A jumbo jet named St. Patrick containing a bed, armchair, table and crucifix will take the Pope to Ireland and the U.S. The Boeing 747 flight will be coded Aer Lingus 1.

Briefly . . .

Taxi driver was murdered and a policeman wounded in shooting incidents in Spain's Basque region.

BUSINESS

Golds surge; Gilts in demand

● EQUITIES went ahead for the fifth consecutive day and the FT ordinary index put on 3.1 to 473.0. Gold shares were buoyant on the upsurge in the bullion price and the Gold Mines index rose 20.6 to 247.1, its highest since November 1975.

● GILTS were in demand and the Government Securities index closed 0.03 up at 72.66.

● STERLING rose 1.47 cents to $2.2032 and its trade-weighted index rose to 69.1 (68.7). The dollar's index fell to 83.7 (84.2).

● GOLD rose $18½ to a record close of $395½ in London, reflecting upward pressure in New York and Hong Kong.

● WALL STREET was 0.51 up at 886.86 just before the close.

● ENGINEERING employers' Federation has admitted that one of its largest member companies, GEC, is questioning the usefulness of a national negotiating procedure in the engineering industry. Back Page

● SEALINK UK, the British Rail ferry company, is pulling out of a revenue-pooling agreement with European Ferries in a move which is expected to lead to a fare-cutting war among ferry operators on the English Channel. Back Page

● THORN ELECTRICAL Industries' £26m bid for the French TV rental company Locatel is to be investigated by the French Economics Ministry monopolies commission. Back Page

● COLGATE PALMOLIVE's negotiations to sell its cosmetics subsidiary Helena Rubinstein to L'Oreal of Paris have collapsed. Page 28

● BP'S THINK TANK has warned that many large energy users could face serious fuel shortages in the next few years unless more energy is conserved and production of sources other than oil stepped up. Britain used 5.5 per cent more energy in the early part of this year, but oil consumption in June and July dropped slightly compared with last year. Page 8

COMPANIES

● VICKERS pretax profits for the first half of 1979 rose from £5.16m to £6.39m on turnover down from £191.4m to £184.5m. Page 20 and Lex

● CT BOWRING reports pretax profits down from £19.78m to £17.9m in the first half of 1979, with insurance broking profits affected by the strength of sterling. Page 27 and Lex

● DUNLOP Holdings, hit by an £8m rise in finance costs, reports firs half pretax profits down by £6m to £16m on sales of £766m (£749m). Page 20 and Lex

● TECHNICAL problems with the calculation of the FT-Actuaries indices has led to their not being published in this edition.

Banks plan European travellers' cheque

BY MICHAEL LAFFERTY AND JOHN EVANS

A major realignment in the European travellers' cheque market appeared imminent last night.

After a meeting in Brussels yesterday, banks from 17 European countries agreed to negotiate with the aim of forming a unified European travellers' cheque organisation centred on Midland Bank's Thomas Cook banking and travel organisation.

Mr. David McWilliam, a senior Midland executive, said last night that the reorganisation could involve sale of the travellers' cheque division of Thomas Cook to a European banking consortium.

He stressed that negotiations were still at a very early stage, with a number of possible outcomes.

The Thomas Cook development has all the signs of an emerging battle for the $31bn worldwide travellers' cheque market, at present dominated by the U.S.-originated systems of American Express, Bank of America and Citibank.

Last night American Express announced that three leading French banks—Crédit Lyonnais, Banque National de Paris and Crédit Agricole—were in negotiation with it for joint issue of a uniform French franc travellers' cheque.

American Express said it was in negotiation with banks in other countries.

... may eventually emerge to four major international travellers' cheque groups, with the European-aligned Thomas Cook consortium forming the strongest competition yet to the U.S.-dominated market.

This realignment also has deeper implications than the travellers' cheque business, senior bankers said last night.

It was seen as part of the realignment in international payments systems, in which the West German banks in particular have taken a notable anti-American stance.

The Germans, especially Deutsche Bank, have frequently argued for a European alternative to credit card systems like Visa, of which Bank of America and Barclays are leading members.

The Brussels announcement revealed that a large majority of banks and financial institutions from 17 European countries had decided to start detailed negotiations in November with Thomas Cook Bankers.

It went on: "Their objectives are to create a European travellers' cheque organisation open to all European banks, issuing in several currencies and under the full control of those European institutions."

It added that these aims would provide the "best possible service worldwide" for the banks' customers.

The eventual aim is to introduce a full, unified travellers' cheque system in Europe. Present national systems on the Continent have tended to be fragmented, or subordinated to American systems.

It is likely that the various systems devised by Thomas Cook, which already issues multi-currency cheques, will be employed as the basis for the planned European network. This will include Cook's various computer and refund systems.

The end result will be a completely new travellers' cheque, replacing others run by the various participating banks, and to be called the "European travellers' cheque."

The growing competition for the cheque business has been marked in some countries recently by a waiving by banks of fees on issues. In the U.S. there has been a dispute over advertising standards in canvassing for business.

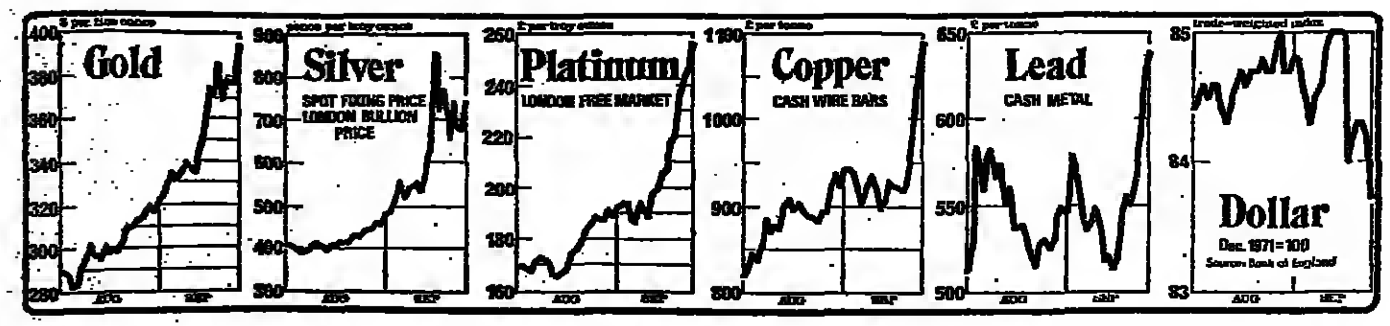
Many banks rely for much of the profitability of their travellers' cheque operations on what is known as the money "float."

This represents the time lag between issue or sale of the cheques and their presentation and payment.

The funds temporarily unused in this period can be invested profitably by the issuing banks, particularly at the high returns now available in the U.S. dollar and sterling interbank money markets.

Officials at Midland Bank described the planned European cheque system as having the potential to become a "major worldwide force."

Mr. James D. Robinson, chairman of American Express, said his company was enthusiastic about the link with French banks: "We are committed to co-operating with banks around the world whenever mutual benefits can be derived."



Gold leads upsurge in metal prices

BY JOHN EDWARDS, COMMODITIES EDITOR

GOLD led a general upsurge in metal prices yesterday triggered off by the fall in the value of the dollar. On the London Bullion Market gold closed at a new peak of $395.5 a troy ounce, $18.5 up on Wednesday, after trading at $397 at one stage. In New York later it passed $400 an ounce.

Main buying interest was reported to be coming from the U.S., especially during the afternoon when the dollar came under renewed pressure.

Other precious metals followed the upward trend in gold. Free market platinum, which has been a strong metal all this week, chalked up yet another record price. It rose in London by £8.65 to £256.55 a troy ounce, and the dollar price jumped from $540 to $565 reflecting the changed sterling/dollar parity rate.

Even palladium—a less important platinum group metal—rose by £3.55 to a record price of £73.25 ($161.50) an ounce as speculators in New York bought any metal that they believed could provide protection against inflation and the declining value of paper money.

Silver was also back in favour after the violent price fluctuations last week. On the London Bullion Market the spot quotation rose by 63.8p to 742p a troy ounce at the morning fixing.

On the London Metal Exchange, copper prices rose to the highest levels for five years in hectic trading activity. Copper cash wirebars rose to over £1,100 one stage before closing at £1,090 a tonne, £30 up on the day and £173 higher than a week ago.

Lead prices too continued to climb with cash lead gaining £10.75 to £638.75 a tonne, up £83.25 on the week.

The rise in the London copper market was helped by U.S. producers announcing substantial rises in domestic prices to more than $1 a lb. The New York copper futures market was again swamped by speculative buying pushing prices the permisible limit up.

However, it was noted that particularly in London there was continued selling by trade sources, who view the current market upsurge as a good opportunity to sell.

David Lascelles writes: Metal prices also surged ahead in early trading in New York rising in many cases to the maximum limits allowed in futures trading.

After spurting a record 11.35 cents to $1.07 a pound on Wednesday, the spot copper price rose a further six cents on yesterday's opening. Futures also rose by the six cent limit and became, in market jargon, "locked up." As a result, there was very little trading, although the market remained tense.

Dealers were again uncertain of the cause for the buying pressure, although they attributed copper's strength to spill-over from the precious metals markets. With copper so strong, there is speculation that demand may now be spilling over into sugar where prices have also risen sharply in the past two days.

Precious metal prices also rose. By early afternoon, all the major platinum and silver futures contracts had moved up as much as permitted. Gold also gained following the record London fixing. The February 1980 futures contract surged $15.40 to $412 on the New York Commodity Exchange.

Dollar weaker again

By Nicholas Colchester

THE U.S. dollar had a poor day yesterday in a nervous foreign exchange market. It was fixed at DM 1.7438 in Frankfurt — its third lowest level ever and the lowest since President Carter announced his package to rescue the dollar last November.

The only major currency weaker than the dollar was the Japanese yen which closed at Y223.40 to the dollar, down from Y222.75 the previous night. Both currencies were affected by news and rumours of rises in the oil price.

Venezuela announced a 6.05 per cent rise in the price of its crude from October 1, and other oil producers were said to be considering similar moves.

The pound closed higher against the U.S. dollar at $2.2032 against $2.1885 the previous night. The talk of oil price rises helped it in the afternoon, but sterling nevertheless fell slightly against most European currencies. On a trade-weighted basis the pound rose from 68.7 to 69.1 on the Bank of England's index.

The dollar's weakness prompted support from several central banks, including the Bank of England. But the amounts committed were not large.

The strength of sterling in London brought further rises in Government stocks and there were sales of both the medium and long taps for the first time, following the exhaustion of the short tap on Wednesday.

The Bank of England said a large amount of the £500m tranche of 12 per cent Exchequer 1999-2002 stock was sold.

Money markets Page 27

£ In New York

—	Sept. 28	Previous
Spot	$2.1960-1975	$2.1600-1615
1 month	0.48-0.44 dis	0.55-0.50 dis
3 months	0.92-0.87 dis	0.90-0.85 dis
12 months	3.33-3.23 dis	3.45-3.30 dis

Thomson airline plans cheap scheduled fares

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITANNIA AIRWAYS, one of Britain's biggest independent airlines, and part of the International Thomson Organisation, is seeking to revolutionise the holiday air travel business by offering ultra-cheap scheduled fares on all its charter flights.

Savings to holiday-makers would amount to £100 on existing scheduled air fares on many air routes between the UK and Western Europe and the Mediterranean.

The plan could also drastically change the present structure of UK-European air routes by introducing scheduled services between places that have never had such flights before.

The essence of Britannia's plan is that it is not asking for any new routes—it flies holiday charters between over 20 UK points and more than 60 overseas destinations. What it wants is the right to offer on all those flights up to half of the seats at extremely cheap scheduled fares, from May 1 next year.

Passengers would be able to buy these seats on either a single or return basis, without being obliged to pay for accommodation as well, as is now the rule with package holidays.

Sales of scheduled tickets would be through all existing outlets, such as tour organisers and travel agents, or directly from the airline. Thomson Holidays brochures would probably also indicate that on any route either an all-in package holiday or just a cheap flight, would be available.

Britannia carries 3m passengers a year on holiday charter flights, or more than 30 per cent of the package tour market. By 1981, it expects to be carrying 4m passengers a year.

Continued on Back Page

Sir Arthur Knight makes way for younger man at Courtaulds

BY RHYS DAVID

MR. CHRISTOPHER HOGG, a deputy chairman of Courtaulds, is to take over as chairman and chief executive of the group from the end of the year on the retirement of Sir Arthur Knight.

Sir Arthur, who succeeded Lord Kearton four years ago at the helm of Europe's biggest textile group, recently celebrated his 62nd birthday and under Courtaulds rules could have continued for several years more. He said yesterday he had felt for some time it was appropriate for a younger man to take over.

Mr. Hogg has had a spectacular rise within Courtaulds. At 43 he is one of the youngest men at the head of a major British company. Educated at Oxford and Harvard, his early business career was with Hill Samuel, the merchant bank, and the 1964 Wilson Government Industrial Reorganisation Corporation.

He moved to Courtaulds as a director of International Paint in 1968, joining the main Board in 1973 and becoming one of three deputy chairmen last year. His current responsibilities cover Courtauld's entire consumer products field including paint, packaging, garments and household textiles.

Before taking over as chairman on January 1, Mr. Hogg will assume the role of chief executive from Monday.

Sir Arthur played a major role in planning the diversification which took Courtaulds in the 1950s and 1960s away from its traditional fibre base. Since taking over as chairman he has piloted through major changes in the way the group is run.

The emphasis on verticality—group companies trading with each other—has been lessened, and wider commercial freedom has been given to individual companies and managers.

The group as a whole has been reorganised into five major product groups to which the individual businesses report.

Mr. Hogg said yesterday that no major changes in the group's strategy or structure were foreseen. The major task ahead would be to manage the business, taking account of all the external circumstances facing textiles, so as to earn higher profits.

In the year ending March 31, Courtaulds reported pre-tax profits of £64m on sales of £1.66bn. At the annual meeting in July, Sir Arthur said the immediate outlook was "less encouraging than we had anticipated," partly because of an overvalued sterling and limited prospects for demand.

Men and Matters Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 12pc 1983..	£98¼	+ ¼
Automated Security	227	+ 7
BTR	340	+ 13
Barclays Bank	442	+ 7
Burton A	286	+ 6
Corn Exchange	302	+ 15
Eastern Produce	91	+ 6
Executex	37	+ 4
Glaxo	480	+ 10
GUS A	406	+ 12
Harris Queensway	300	+ 12
Howden (A.)	93	+ 6
ICI	367	+ 6
IC Gas	555	+ 17
Intnl. Thomson	358	+ 23
Jones and Shipman	180	+ 13
Kwik-Fit	62½	+ 5
Ladbroke	185	+ 7
Sandeman (George)	83	+ 5
Clyde Petroleum	274	+ 22
Anglo Amer. Crpn.	478	+ 20
Blyvoor	486	+ 65
Buffels	£12¼	+ 1
Grootvlei	277	+ 37
Hampton Areas	295	+ 20
Kloof Gold	£10¼	+ 1½
Poseidon	82	+ 10
President Steyn	£13	+ 1½
Rustenburg Plat.	180	+ 16
West Drie.	£31¼	+ 3½
Western Deep	£12¼	+ 1¼
Western Holdings	£23¼	+ 2½

FALLS

APV	186	− 7
Appleyard	71	− 3
Assod. Book Publrs.	268	− 37
BPC	34	− 2½
FC Finance	62	− 5
Marshall Cavendish	23	− 4
Wace Group	58	− 7
Wharf Mill	52	− 3

CONTENTS

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Ceausescu declines to attend East German celebrations

BY LESLIE COLITT IN BERLIN

ROMANIA'S President and Communist Party chief, Mr. Nicolae Ceausescu, will be the only Warsaw Pact leader not to attend next week's gathering in East Berlin of Communist leaders to celebrate East Germany's 30th anniversary. The guest of honour is to be the Soviet leader, Mr. Leonid Brezhnev, and Mr. Ceausescu's absence is seen by East Europeans here to reflect the widening rift between Romania and the Soviet Union.

The independent Romanian Communists have refused to go along with Moscow's insistence that they increase their defence budget and integrate the Romanian army more closely into the Warsaw Pact. Mr. Brezhnev first raised these demands last November at a tense top level meeting of Warsaw Pact leaders in Moscow, when Mr. Ceausescu firmly rejected them. Since then he has demonstratively raised social spending instead of the military budget, and has said Romanian soldiers will never take orders from a foreign commander.

Romania will be represented in East Berlin by its Prime Minister, Mr. Ilie Verdet, who is actually the third-ranking Romanian politician after President Ceausescu and his politically influential wife, Dr. Elena Ceausescu.

Every recent attempt has failed to bring the Romanians back into stride with the other Warsaw Pact members. In July the chief Romanian delegate to an ideological conference in East Berlin refused to endorse a Warsaw Pact declaration strongly attacking China.

The Romanians then barred East European motorists from entering the country because they could not pay for petrol with dollars. This conflict forced other East European countries, except East Germany, to permit their citizens to make detours through Yugoslavia, from where a record number decided to move to the West. Only Czechoslovakia, which has lost more than 600 of its citizens through escapes in recent months, has since agreed to make lump-sum hard-currency payments to Romania.

Irish ease credit squeeze

BY OUR DUBLIN CORRESPONDENT

THE IRISH Government, facing a combined onslaught from the banks, business, agriculture and its own backbenchers, is likely to ease to some extent the present severe credit squeeze.

No announcements are likely before tomorrow's meeting of the parliamentary party of the ruling Fianna Fail Party, but some efforts seem sure to be made to combat the restrictions on bridging finance for house purchases which the Irish banks have imposed.

This was a somewhat unexpected development after the Central Bank imposed severe restrictions when it became clear the banks would not keep to the 18 per cent target for credit expansion in the current year.

Agriculture is feeling the pinch too, with farmers unable to re-stock expensive land and the credit squeeze is being blamed in part for the collapse in cattle prices.

Paul Betts reports from Dublin on Irish preparations for the arrival tomorrow of Pope John Paul

Cloud of apprehension in the carnival atmosphere

IT NOW seems that all roads lead to Dublin. Wave after wave of pilgrims bave been flowing into the city, which is ewash with green-white-and-gold flags of the Republic flying alongside yellow-and-gold flags of the Vatican, for the arrival tomorrow of the first Pope ever to set foot on the island.

The mood is one of exultation of pride and of great expectation. Pictures of Pope John Paul II have appeared in public houses, on windows, even on T-shirts and in some cases on umbrellas. His three-day pastoral visit is expected to draw the largest crowds in Irish history.

But carnival atmosphere is matched by an equally profound feeling of apprehension, which has loomed over the visit since it was announced in July.

In formal terms, the visit will mark the climax of centenary celebrations at the Shrine of Knock, a small village in the poor countryside of Mayo, where the Virgin Mary is said to have appeared on August 21, 1879, at a time of famine, repression and homelessness.

Claimed apparitions were particularly common at that time throughout Europe. But the significance of the visit may lie elsewhere in view of the distressing background of political violence in Ireland, the conflicting aspirations of Catholics and Protestants, the shocking murder of Lord Mountbatten and the Warrenpoint atrocity.

Indeed, the real climax will undoubtedly be the appeal for peace and reconciliation and the unqualified denunciation of violence the Pope is expected to make tomorrow afternoon at Drogheda.

This is one of the closest points his itinerary will take him to the border with the North. Whatever the Pope says—and perhaps what is more important, whatever people think he says—will inevitably assume deep political significance on both sides of tha border.

Last Sunday, from his balcony overlooking St. Peter's Square in Rome, the Pope said he was confident his visit would serve the cause of peace and reconciliation in Ireland. Similar sentiments, shared with varying degrees of confidence, have been expressed by Irish church leaders, some Protestants in the North, and officials in both British and Irish Governments.

Equally, all the parties are aware of the minefields along the Pope's path in Ireland and the possible repercussions, distortions and misinterpretations his public statements could suffer.

Suspicios worsened

Already, his imminent presence in Ireland has exacerbated the old suspicions between North and South. Like everything concerning the Irish question, attitudes towards the Pope's visit have inevitably tended to polarise in political terms.

Viewed from the North, a highly vocal sector of the Protestant population sees the visit as endorsing the overwhelmingly Catholic Republic's claim of sovereignty over tha northern province.

From the South, the visit will inevitably be seen by some as underscoring unification hopes. Indeed, the Pope has traditionally been for the Irish what Dr. Conor Cruise O'Brien, a former Dublin Cabinet Minister, once described as "the symbol and putative champion of the cause of Catholic people long oppressed and seen as not yet wholly liberated." The record shows, however, that it was a Pope, albeit an English one, Adrian IV, who effectively ceded Ireland to King Henry II in the 12th century.

This urge for liberation is particularly pronounced among Catholics in the North, and explains the extensive decorations being put up in Catholic sectors to celebrate the Pope's visit, even though he is not going to the North.

As a Pole, Pope John Paul II comes from a church in a country where, like Ireland, Catholicism is seen to embody tha spirit of national unity and where the church has defended for centuries the national culture and has inevitably clung to the Vatican for help in times of trouble. This fact has not been lost on Irish Catholics.

It was inevitable that the question of whether or not tha Pope went to tha North should have been blown up out of all proportion. But through a tragic twist of fate, the atrocities of recent weeks have avoided the problem. If the Pope had gone, it could have been construed by nationalists as a rebuff for loyalist demands for continued union with Britain, while had he, under different circumstances, not paid a symbolic visit to the North, it could equally have been regarded by protestant unionists as a defeat of southern aspirations of re-unification of the two parts of Ireland.

When tha Papal visit was first announced, a trip to tha North was seemingly not contemplated, even though the titular see of tha Catholic church is in Armagh, in Northern Ireland. After a flurry of rumours and speculation (a feature marking the entire preparations, with various Catholic pressure groups feverishly lobbying), the Vatican issued in July a public denial, apparently prompted by the British Government. The Pope, it said, did in fect intend to visit the Northern Province.

For its part, the British Government had indicated to tha Vatican that it did not oppose a visit to the North as long as there was full consultation and collaboration between the Holy See and Whitehall.

Last month, before tha murder of Lord Mountbatten, there was renewed and insistent speculation that the Pope was contemplating a symbolic visit to the North. It seemed increasingly likely he would go, until the events of August 27.

Cardinal Tomas O'Fiaich, who was then in Rome leading a delegation of the Irish church hierarchy involved in the final arrangements for the visit, was reported saying he was absolutely convinced the Pope would have gone to Northern Ireland, although there had apparently been no serious consultations with the British Government.

Sad and regrettable as it may seem, British and Irish Government officials, and indeed the Vatican, appear relieved the Pope is not going to the north. In the wake of the Mountbatten murder and Warrenpoint, the British Government is understood to have indicated to the Vatican that its security forces were seriously concerned over an eventual Papal visit to Armagh, however brief.

While the British security forces apparently claimed that the Pope's personal safety posed no serious problems, they were particularly concerned that the occasion might be used by extremists of either side to stage some atrocity to publicise their respective campaigns.

In any event, security and crowd and traffic control for the Papal visit is expected to be the biggest operation of its kind ever mounted in the republic. It will be even bigger than that staged for President John Kennedy. The areas immediately surrounding the places at which the Pope will appear publicly have been defined high security zones, and only those officially accredited will be able to enter.

Some 6,000 members of the Garda police force will be on duty out of a total of 10,000. All leave has been cancelled for the three-day visit. Security will extend throughout the country, and will be especially tight along the border.

At the same time, the Pope appears to have been under increasing pressure from his close advisers not to say something controversial or make a statement which could be misinterpreted and distorted.

Vatican diplomacy

In the past, Vatican diplomacy has traditionally been noncommital especially on dalicate issues like the Irish question. This approach is unlikely to change. But the Pope's unique style, his showmanship and the pastoral conception he has of his role, which throws him in direct contact with enormous crowds in different countries, imply some risks which never occurred with the more formal and diplomatic style of his predecessor, Paul IV.

But the risks are clearly calculated ones. Despite the extrovert, spontaneous outward impression he gives, the Pope, with his long experience of complex church-state relations in Poland is regarded by many Vatican observers as extremely cautious and calculating.

In this sense, he is as much a pastoral as a political Pope—and indeed, perhaps one of the most political of Popes in the history of the Roman Catholic church.

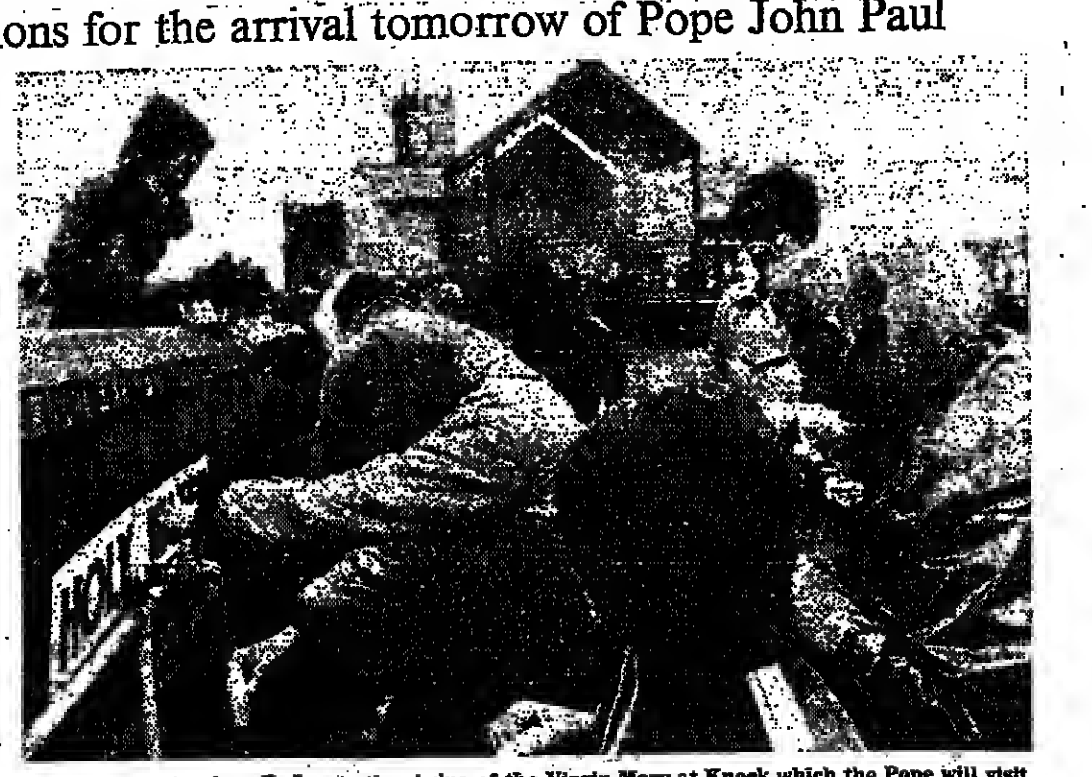
He writes his own speeches, and he will clearly have weighed up all sides of the Irish situation in which he is known not to be a great expert. In Poland, and in Mexico during the Latin American episcopal conference, he displayed some measure of diplomatic skill in situations which presented the church with major difficulties.

So far, he has always shown a firm inclination towards an evolutionary approach to problems rather than seeking confrontation. It would thus be fair to assume that he will adopt a similar line in Ireland. But wherever he has been since his election last October, his charismatic qualities have left a faeling of hope behind them.

During the past 48 hours, there has been increasing debate and discussion in Ireland whether the visit will have a healing or divisive effect.

In the meantime, workmen are busily putting the finishing touches to all the sites, from Phoenix Park in Dublin to Galway racecourse and Knock which will have to accommodate an unprecedented and spectacular number of people for a visit which will cost an estimated £4m.

At Knock confessionals have been transformed into telephone booths to help the 2,500 journalists who will be following the three-day visit. As a catering exercise it will also break all Irish records. At Knock and Galway alone, 250,000 cups of tea and coffee are expected to be sold.



Holy water on tap for pilgrims to the shrine of the Virgin Mary at Knock which the Pope will visit.

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Apel flying to Washington for talks on defence

BY ROGER BOYES IN BONN

WEST GERMANY'S Defence Minister, Herr Hans Apel, flies to Washington this weekend for a series of talks with U.S. leaders expected to deal with the therny issues of the Airborne Warning and Control System (AWACS) and the size of Bonn's defence budget.

Herr Apel is te remain in the U.S. until next Wednesday. He will also discuss the prospects for a third Strategic Arms Limitatien Treaty and the Vienna ferce rednctien talks, during meetings with Mr. Harold Brown, Defence Secretary, and Mr. Zbigniew Brzezinski, the chief Presidential adviser on national security.

But the twe main sticking points betwen the two countries—whose defence links are otherwise relatively healthy—will be the AWACS programme and Bonn's 1980 defence spending.

Herr Apel's visit comes about a week after he warned the U.S. that the AWACS scheme could be deemed unless Washington speeded up its compensatory erders te German industry.

West Germany and the U.S. agreed last year to shoulder nearly two-thirds of the costs ef the $1.8bn (£800m) programme aimed at creating an airborne radar "umbrella" over Western Europe, thus giving early warning ef a Warsaw Pact attack.

But in return for Bonn's

Herr Hans Apel

large participation, the U.S. promised it would place orders for a new telephone system for U.S. forces in Germany and would buy about 9,000 vehicles from German manufacturers.

The orders have not materialised in full—only about 300 vehicles have been ordered—and the Christian Democrat epposition has threatened to block the DM 100m (£24.6m) set aside fer the scheme in 1980 unless progress is made on the offset element. This would effectively freeze the whole programme which provides for the purchase of 18 aircraft by the various NATO countries.

The U.S. has expressed its discountent about the size of the 1980 defence allocstion. According to the West German Defence Ministry, Mr. Brown has sent Herr Apel a letter urging Bonn to ensure that defence spending would increase by a real 3 per cent as agreed among tha various NATO allies. The present allocation provides for a real increase of only 1.5 per cent.

Tha Defence Ministry has said that a greater allecation is not possible at present. It has also pointed ont that defence secter investment has been raised by 31 per cent and that 7 per ceot more is going towards weapons modernisation.

Hew far this will appease Washington is not clear. The U.S. has recently announced a real 3 per cent rise in its own defence budget and is under pressure to raise it even further.

Defence Ministry officials stress that these issues are no more than "irritations" in the otherwise strong relationsbip between Bonn and Washington on defence matters. The West German defence White Paper recently underlined that the U.S. nuclear daterrent was an irreplaceable element in European defence.

Shell to restart Rotterdam plants

By Charles Batchelor in Amsterdam

Plans by Royal Dutch/Shell te restart its strike-hit refinery and chemical plants at Retterdam ever the next few days, were announced by the company yesterday. The announcement came after more than 1,000 workers epposed to the strike streamed past pickets ente the site, as other werkmen forced back the gates and welded them open.

Earlier, Shell bad called on the FNV union federation to allow people willing te werk to enter the plant. The gates were opeed 30 minutes after the shutting down eperations were completed. The company believes enough men are willing to work to enable it to restart most, if not all the 80 different installations.

Unions in Britain, West German and Belgium have promised support for the FNV, whose members are on strike at Shell. These unions responded te an appeal for support made through the International Federation of Chemical Workers Unions (ICEF) in Geneva, the FNV said.

The Association of Scientific, Technical and Managerial Staffs (ASTMS) in Britain is keeping a close watch on shipments made to Shell, while the Belgian unions have said they will ensure tha company's plants there de not make extra deliveries or increase ontput.

After werkers at the Albatros-UKF fertiliser plant decided to down tools en Wednesday, the strike extended ne further yesterday, and the Chemical Industry Association said that so far, only AKZO's salt chemicals division had been affected by shortages.

The FNV has made the preparations required in law te call strikes at a number of other chemical companies, notably ICI, Cyanamid and Tiofine. But it plans initially to limit the extent of the stoppages.

"Very few people are affected by the strikes," an FNV spokesman said. "We can easily pay them from strike funds and this will allow us to keep the action going for a long time."

EUROPEAN PARLIAMENT'S BID FOR POWER

Cuts in farm spending demanded

BY MARGARET VAN HATTEM IN STRASBOURG

THE EUROPEAN Parliament yesterday launched its first hid for more power since the direct elections in June. It demanded that the nine Governments ef the European Community should cut hack next year's farm spending.

Mr. Pieter Dsnkert (Soc., Netherlands) rapporteur for the Parliment's influential budget committee, said that if the Governments failed to respond the Parliament might try to impose its own cuts or throw eut the entire draft budget for 1980.

Although this was only the first parliamentary debate on the 1980 budget, a row appears inevitable between Community institutions and within tha Parliament's political groups.

A rift has already emerged within the British Conservative group on the question of aid for the Community's poorer regions. The large Christian Democrat block appears uncertain about whether to put the Parliament's constitutional interests before those of its own traditional supporters in the farm sector.

The row has been precipitated by two council decisions earlier this year—the June farm price settlement, in which Farm Ministers boosted 1980 budget estimates by over 1bn units of account and the Finance Minister's decision earlier this month to slash a corresponding sum from regional, social, energy, transport and overseas aid policies.

Mr. Christopher Tugendhat, the budget Commissioner, strongly attacked the decisions and urged EEC Finance Ministers to intervene directly in future farm price decisons so as to curb farm spending.

Mr. Dankert hinted at a more radical strategy which several MPs are putting forward privately. Their idea is that the Parliament should propose its own cuts in so-called "obligatory spending" (mainly farm spending). It supported in Parliament by a simple majority, this would require a qualified majority in the Council of Ministers to be over-ruled. Britain and Italy, for example, could together block such a move.

Until now, the Parliament has accepted that it has little control over obligatory spending, which accounts for more than three-quarters of the budget. But the Council of Ministers, by limiting its cuts carefully, has left the Parliament less room for manoeuvre than ever before.

That, said Mr. Dankert, was a challenge the Parliament could not ignore. "Are we to see the budgetary powers we fought for taken away so soon after the election campaign," he asked. "If this Parliament is really going to be different from the last one, we must win the budget issue."

The issues poses particular difficulty for Britain's Tories. Many are reluctant te press for an increase in spending on the Community's poorer regions when their Government in London has cut back its own regional spending. But the EEC regional policy is the only one under which Britain receives a major share of spending.

Spain Socialists likely to toe Gonzalez line

BY ROBERT GRAHAM IN MADRID

AN EXTRAORDINARY congress of the Spanish Socialist party opens here today to decide whether te endorse the moderate pragmatic line of Sr. Felipe Gonzalez, its former secretary-general. All the indications are that it will back the Gonzalez line and re-elect him as laader of the party, the second largest in Spain.

The party's 28th congress in May broke np in confusion when Sr. Gonzalez unexpectedly quit the leadership after delegates bad voted to adopt an uncompromising Marxist ideology.

The resolution's promoters never intended Sr. Gonzalez to resign. They wanted to remind the leadership that it was moving too close to an unacceptable for of social democracy.

Sr. Gonzalez' shock tactics appear to have paid off. He emerged from the congress with enhanced personal prestige and has since established himself further as the sole possible candidate for party leadership.

With his personal positon undisputed, it has been a question of how to arrange a more moderate line.

The principal mathod has been a fairly ruthless use of the party apparatus by Sr. Gonzalez and his chief benchman, Sr. Alfonso Guerra. The power of the Marxist dissidents has been emasculated through skilful organisation of the delegations to the congress.

By assuring themselves control of the majority of the delegations, Sr. Gonzalez and his allies have staked out the congress well in advance. It is estimated that Sr. Gonzalez has tied up 70-75 per cent of the vote.

The critical wing of the party has protested about this procedure but to no great effect. The dissidents, too, are aware that the party cannot afford to continue publicly divided.

Although S. Gonzalez is expected to triumph, the damage done to the party by his forcing the issue in May will take time to heal. He, on the other hand, justifies his action, arguing that the Socialists must prepare for the elections of 1983, and to do suicide to have a Marxist label this it would be political hanging round the party' neck.

Sharp drop in trade forecast by retailers

By Our Bonn Staff

WEST GERMAN retailers are predicting a sharp drop in trade next year, principally because of oil price rises, according to the Munich-based IFO economic research institute.

The institute said yesterday that although disposable income was likely to grow by 6 per cent in 1980, it would be seriously curtailed by higher outgoings for petrol, heating oil and a recent increase in value added tax. The trend was already evident in the second half of this year and real turnover between July-December was expected to increase by only 1-2 per cent.

In contrast, wholesale traders are optimistic about the second half of this year and for 1980,

Schmidt warns on threat of 'oil price explosion'

BY JONATHAN CARR IN BONN

THE WORLD could "still go to pieces economically" if there were another oil price explosion, according to Herr Helmut Schmidt, the West German Chancellor.

In an interview to be published today, Herr Schmidt said the British were not very aware of the danger, since they had their own oil. "And if they sell some, they sell it at the highest OPEC prices, which I don't think is prudent."

But most countries, including many in the Communist and developing world, were suffering huge effects from the oil-price rise.

"The oil producers' cartel is nowadays as great a menace to the functioning of the world's economy as is the menace of governments going it the easy way by printing money and parliameots asking for more spending and less revenue." Herr Schmidt said in his interview with the British weekly magazine, The Economist.

On the currency matters, Herr Schmidt said the world needed stability more than anything else, and he would like to see a situation in which the dollar would be worth DM2 and stable at that point.

Herr Schmidt also said that, if the British did not understand that EMS membership was in their own best interests—but simply thought they would do Europe a favour by joining—then it would be better for them to stay out.

Russia, China to alternate talks

BY DAVID SATTER IN MOSCOW

THE SOVIET Union and China announced agreement yesterday on a procedure for alternating their forthcoming talks, between Moscow and Peking—a further sign that they are preparing for a concerted effort to improve their relations.

Tass, the Soviet news agency, reported that the talks on improving relations, which are to begin in Moscow soon, and the long-running, inconclusive border talks, which have been held in Peking, will alternate between the two capitals.

The preliminary protocol meeting at which the decision was taken was attended yesterday by Mr. Wang Yuping, the chief Chinese delegate, with one adviser, and Mr. Leonid Ilyichev, chief Soviet delegate, also with one adviser.

No decision was made on other procedural or substantive questions which confront the two sides as they prepare for the opening of the Moscow talks. But the relatively quick settling of the question of venue was taken as a sign of forward movement.

Still to be decided are the length of the negotiating sessions, the agenda, and whether there will be Press reports on the talks.

No indication was given on when the full delegations would meet for the opening of the talks, which are expected to be long and difficult; but another protocol session is to be held today.

Once procedure is determined, the agenda questions which must be decided are whether Vietnam's actions and Soviet troop withdrawals from the Chinese border will be taken up.

Politician quits over Hamburg chemicals find

By Our Bonn Staff

THE DISCOVERY of hundreds of tonnes of poisonous gases and chemicals on a disused Hamburg factory site has prompted the resignation of Herr Frank Dahrendorf, a senior member of the city-state's ruling senate.

Herr Dahrendorf, the Justice Senater, admitted yesterday that he had written a letter in 1971 which effectively declared that the area around the factory was safe.

Assad announces reforms in bid to stem discontent

BY IHSAN HIJAZI IN BEIRUT

SYRIA'S leadership under President Hafez Assad has decided to undertake a series of reforms in an apparent attempt to check rising discontent.

The reforms were announced yesterday by the National Progressive Front after a week of meetings in Damascus. Details were broadcast several times over the state-controlled radio.

The front is headed by President Assad and includes the ruling Ba'ath Party, the Soviet-oriented Syrian Communist Party and two smaller left-wing parties of a Nasserist complexion.

The broadcasts declared that the Front was to be expanded by establishing more offices in the countryside. It seems clear that President Assad wants to expand his power base by not limiting it to the Ba'ath Party, of which he is secretary-general.

The Front began its talks in the wake of recent sectarian clashes in the northern port of Lattakia earlier this month and a massacre of cadets at the artillery academy in Aleppo in June.

The violence in Lattakia was reported to have been between Sunni Moslems and the Alawite minority to which Mr. Assad and many leading Government figures belong. Most of the victims of the killings at the artillery academy were Alawites.

In its declaration yesterday the Front accused imperialist agents and the Moslem Brotherhood of being behind the trouble. It spoke of the need to preserve national unity and to rally around the regime of President Assad.

At the same time, the statement admitted that there had been shortcomings which should be checked and stopped forthwith. It called on the Government to lessen dependence on martial law, which was put into effect after the six-day war with Israel in 1967.

The Front called for a purge of the civil service and recommended steps to improve the economy and to ensure ample supply of basic commodities.

There has been no confirmation of reports that Sunni and Alawite soldiers serving with Syrian troops in Lebanon have clashed at their posts in a district north of Beirut. The reports were broadcast by the Right-wing Christian radio, Voice of Lebanon. About 24,000 Syrian troops are deployed in Lebanon as an Arab League peace-keeping force.

Kuwait expels Khomeini envoy

BY OUR FOREIGN STAFF

KUWAIT HAS deported the special representative of Ayatollah Khomeini, the Iranian religious leader, as a result of fears that he was stirring up unrest among the Shia Moslem minority in the small Gulf state.

According to Kuwaiti newspaper reports, Mr. Abbas Muhri and 18 members of his family were expelled to Tehran on Wednesday and stripped of their Kuwaiti nationality. His son Ahmed Abbas Muhri was arrested earlier this month for making political speeches in a mosque. He was also expelled.

Last week another representative of Ayatollah Khomeini was expelled from the United Arab Emirates. In late August he had been made to leave Bahrain.

Shia populations in the Arab Gulf states, which are all ruled by families of the majority Sunni sect of Islam, have been subject to increasing proselytisations by the Iranian religious leadership. The most seriously affected state is Bahrain, where Shia are in a majority.

Ayatollah Sadeq Rouhani, a close associate of Ayatollah Khomeini, has issued specific threats of annexation by Iran against Bahrain's Government. Iran's long-standing territorial claim to Bahrain was abandoned by the Shah in 1971.

Egypt has said that it will "help and support" Bahrain and any Gulf state if it is asked to do so as a result of Iranian threats. Vice-President Hosni Mubarak said in Salalah in Oman that recent Iranian statements threatened "the security and safety" of the Gulf. Egypt's bitter rival Iraq has been prominent in offering reassurance to Bahrain.

Kampuchea to receive more aid

BY OUR FOREIGN STAFF

HENG SAMRIN'S Vietnamese-backed Government in Kampuchea has agreed to allow foreign aid workers to mount relief operations inside the country on a scale that so far has been impossible.

News of this change reached officials of the International Red Cross and United Nations Children's Fund (UNICEF) through the Kampuchean Economic Affairs Ministry at a time when 2m people inside Kampuchea are understood to be on the verge of starvation.

Permission comes at an opportune time because the monsoon has almost ended, greatly easing relief operations in the weeks ahead.

Concern exists, however, over the worth of yesterday's agreement. This is based on reports that Vietnam is preparing for a major offensive against isolated strongholds of Pol Pot's overthrown Khmer Rouge regime.

These are located in a strip of territory in the north-west of Kampuchea near its border with Thailand. If such a campaign is mounted, any aid effort will be seriously hampered.

The Red Cross said yesterday that detailed plans will be drawn up next week to supply Kampuchea with more food, medicines, and other relief materials.

Emphasis will be on close supervision and control, rather than on flooding Phnom Penh with relief supplies that its skeleton transport and communications services cannot handle.

The Red Cross and UNICEF have so far jointly sent about 150 tonnes of relief materials to Kampuchea on four weekly flights. But the needs are estimated at more than 3,000 tonnes per week.

Nigeria bans imports of rice

BY MARK WEBSTER IN LAGOS

NIGERIA'S outgoing military Government has approved a supplementary budget which increases the federal allocation by Naira 2.4bn (£1.7bn) and bans the import of rice.

The budget reflects a drastic improvement in the country's revenue position thanks largely to the oil price rises by the Organisation of the Petroleum Exporting Countries (OPEC) and Nigeria's own raised level of production earlier this year.

Total additional revenue is put at Naira 3bn more than the estimates for the 1979-80 budget, according to the Ministry of Finance. Of that Naira 2.4bn will go to the federal Government and the remainder will be divided among the states.

Details of federal government use of the additional revenues have not been disclosed. In the original budget special emphasis was put on agriculture, defence and education as the biggest recipients of federal funds.

The increased allocation to the states should help to ease the burden of debt which incoming civilian administrations will face. There have been protests from some state governments about the heavy debts they will have to bear when they come into power.

Several items have been added to the list of those requiring import licences, including electric filament lamps, splints and skillets, radio and television installation equipment, industrial protective gloves and apparel.

The move which is bound to raise the most disruption in trade, however, is the ban on rice imports. Previously, the Government had banned the import of rice in quantities of less than 50 kg, while putting all other rice on import licences.

Major-Gen. J. J. Oluleye, Federal Commissioner for Finance, says that despite the import restrictions rice had still been finding its way into the country to the detriment of local producers. "It has therefore been decided that rice should be placed on the prohibition list with immediate effect."

Provisional estimates show oil revenues in calendar 1979 at naira 6.88bn. Real gross domestic product should rise 9.1 per cent in 1979-80 compared with a fall of 5.5 per cent the previous year. The balance of payments is expected to swing into surplus in calendar 1979 from last year's record deficit of naira 2.3bn.

Iran bank chief quits

By Andrew Whitley

THE PRESIDENT of Bank Melli Iran, Mr. Jalil Shoraka, has resigned his post and left Iran.

At his own request, Mr. Shoraka has taken up the post of managing director of Iran Overseas Investment Bank, in London, in which Bank Melli has a 25 per cent shareholding. He arrived in his new office last week.

Tipped to succeed Mr. Shoraka at Bank Melli—the dominant force in Iranian banking, with total assets last year of Rials 713bn (£4.4bn)—is Mr. Aziz Azimi, at present its executive vice-president. A former director of the bank's international department, Mr. Azimi is well-known abroad. His appointment would reassure foreign bankers.

Bank Melli emerged from the February revolution in relatively good shape and has since announced a sizeable increase in deposits. It is expected to remain one of four or five major units, once the expected mergers of the nationalised banks are completed.

Iranvest stressed yesterday that Mr. Shoraka remained in good standing with the Iranian authorities and would be able to use his old contacts in his new post.

But his departure from Iran, coming after the recent life imprisonment sentence on Mr. Yussef Khoshkish, a former Governor of the Central Bank of Iran, will undoubtedly demoralise other, already nervous bankers there.

At Iranvest, Mr. Shoraka takes over a venture intended to knit the Iranian banking system closer into that of the international community. The Iranian Government holds 50 per cent of Iranvest's capital, with the remainder owned by eight Western and Japanese banks.

Zia dampens November poll hopes

By Simon Henderson

THE CHANCES of general elections being held in Pakistan as planned in November, and the country returning to civilian rule, appear to have diminished after a speech by President Zia-ul-Haq.

Gen. Zia, who took over in June, 1977, from the late Mr. Z. A. Bhutto, said in Baluchistan that at present, Pakistan's integrity and ideology were more important.

The remarks seem to be preparing the ground to stop Mr. Bhutto's People's Party from gaining power. The party, in protest at restrictions, has said that it will not register with the election commission to take part in the poll even though observers consider it the most popular political grouping in Pakistan.

Gen. Zia seems not to have mentioned the People's Party in his speech, only saying that 55 or so parties were in the race at the moment, and he could not see one being able to form a Government.

Confusion remains about Gen. Zia's real intentions. In comments made a few hours later, he said he hoped the November elections would go ahead.

Oil shortage provokes new ideas on sharing resources

U.S. reviews stockpile plan

BY DAVID LASCELLES IN NEW YORK

MR. CHARLES DUNCAN, the new Energy Secretary, is expected to give some details of U.S. plans for its controversial strategic petroleum reserve when he addresses a meeting of southern governors in New Orleans next Tuesday.

The reserve, originally designed to stockpile 1bn barrels of oil by 1985, has vastly overrun its original cost estimates and schedules. The recent turmoil in the oil markets has also forced the Government to halt purchases, and there have been press reports that the U.S. is under foreign pressure not to resume them, for fear of what this could do to the oil price.

In Washington it is thought that the question of future purchases for the reserve is under review, and that a new "acquisition strategy" is being prepared. However, Middle Eastern producers and other countries are not thought to have made any representations or threats.

The State Department noted that the U.S. had agreed with other major industrial nations at the Tokyo summit not to indulge in any oil stockpiling which might affect prices. This agreement had been made known to oil producers, a spokesman said yesterday.

However, several modifications to the reserve are being considered. One is to cut its size by about half, to around 500m barrels, and leave it at that. Another is to reduce it to 750m barrels and ask the oil industry to stockpile the remaining 250m. At the moment, the reserve has only 92m barrels.

The Department of Energy has also said it may draw on domestic rather than foreign oil to fill the reserve. This oil could come from the existing naval oil reserve, or from Alaskan oilfields, or even continental producers. Other questions which have still to be answered include who will get the oil from the reserve if the President authorises withdrawals, and at what price.

Mr. Duncan's choice of New Orleans in which to discuss the reserve is no accident. The reserve consists of several abandoned salt mines along the Louisiana and Texas coast which have been specially prepared to take oil, and the reserve is administered from New Orleans.

Mexico calls for oil aid to poor countries

By Our UN Correspondent

SR. JOSE LOPEZ PORTILLO, the Mexican President, yesterday called for a world energy plan that recognised the needs of all nations and offered special help for the poorest countries.

Speaking in the UN General Assembly he proposed the establishment of an international energy institute and of a working group to prepare "pertinent specific proposals" for implementing his global plan. This group should be comprised of representatives of the petroleum-producing countries, industrialised countries and the developing states that were petroleum-importers.

"Energy sources are the shared responsibility of all of mankind," he said. "Energy sources must not be the privilege of the powerful. We want to bridge the gap between extremes by making present-day petroleum supply, demand and price structures compatible with the alternatives we seek for the future.

"The order that must come about—and soon—can either come as the result of the participation of sovereign nations, or of their convictions and free will, or be violently imposed by the most powerful of those nations."

It was not impossible, it might result from "a stupid holocaust," he said. This was the dilemma and the reason for his proposal. "We must race against time to find new solutions before our present sources run out," he said.

Sr. Lopez Portillo called for an increase in the systematic exploitation of potential reserves of all types, both traditional and non-conventional, which had not yet been exploited owing to lack of financing or of applied research.

He mentioned the need to exploit solar, hydro, wind, tidal and thermal energy and said there should be a global system for disseminating and transferring technologies.

Vance reassurance on Cuba

NEW YORK—U.S. Secretary of State Cyrus Vance told Latin American nations yesterday that "we will assure that our interests are fully protected" in the dispute over Russian troops in Cuba. The troops raised concern that Cuba would exploit internal tensions in the hemisphere, he said.

He gave no indication of what retaliatory measures the Carter Administration might take if negotiations with Mr. Andrei Gromyko, the Soviet Foreign Minister failed.

"We are seeking to resolve, by diplomatic negotiations with the Soviet Union, questions raised by the presence of these forces," Mr. Vance said. In contrast to the tough line taken by some other Administration officials, he said that the dispute with the Soviets should be kept "in proper perspective." The U.S.-Soviet relationship went much deeper, with a number of significant interests at stake.

But he affirmed a determination by the U.S. and its hemisphere neighbours to resist "outside interference in their internal affairs."

● President Carter has set up a committee headed by Mr. Clark Clifford, the former Defence Secretary, to advise him on how to resolve the issue of Soviet troops in Cuba, it was reported yesterday.

The committee was said to include six former officials, Republicans as well as Democrats, with expertise in foreign policy and intelligence matters.

Agencies

Warning on Canadian growth

BY ROBERT GIBBENS IN MONTREAL

CANADA FACES an extended period of slow or zero growth, the Conference Board warned yesterday. In its latest economic forecast it says there will be continuing high inflation, substantial payments deficits and also large federal spending deficits.

The current account deficit, expected to be around C$ 7bn (£2.7bn) this year, will rise to C$7.8bn in 1980, the Board says. Real output will be up 2.4 per cent this year but only 1.5 per cent next year. Employment growth will slow, while corporate profits will have a gain next year of less than 4 per cent, against 18.8 per cent this year.

The inflation rate for 1980 is put at 9.2 per cent against 8.9 per cent for all 1979 and the jobless rate will rise to 7.7 per cent from 7.6 per cent in 1979.

Consumer spending in real terms will be up a modest 2.7 per cent next year. The federal budget deficit will widen to C$ 12.6bn next year from C$ 11.2bn this year. Canada's problems are attributed mainly to the U.S. recession which will reduce demand for Canadian primary and secondary products.

Timerman expulsion splits regime

BY ROBERT LINDLEY IN BUENOS AIRES

THE RELEASE of journalist Jacobo Timerman and his expulsion from Argentina on Tuesday night was precipitated by an overwhelming vote against his release by nine serving army major generals.

As a result of the six to three vote, Lt.-Gen. Roberto Viola, the army Commander-in-Chief, immediately called a meeting of the three-member military junta, made up of the heads of the three armed forces, and the junta decided to obey the September 27 order of the Supreme Court to release Sr. Timerman. Unlike the top army officers, the navy and air force long have favoured the release of Sr. Timerman, who was arrested 30 months ago.

The Timerman case has heightened antagonism between the hard and soft liners in the regime. Already the hard liners were angry with President Jorge Rafael Videla and the junta for having invited the Human Rights Commission of the Organisation of American States to investigate human rights in the country.

Sr. Timerman and his wife Rishe in Tel Aviv.

Sr. Timerman, 56, had been in custody since April, 1977, when he was arrested along with other members of the "Graiver Group" on suspicion of having committed economic and subversive crimes. Several members of the group subsequently were sentenced to long prison terms, but a military court cleared Sr. Timerman.

Last year, in a first ruling on the case, the Supreme Court ordered the junta to release him, but acting on the strength of the so-called "Institutional Act" of October 15, 1977, the junta continued to hold him prisoner under house arrest in Buenos Aires for the last 17 months.

Sr. Timerman was put aboard an Argentine Airlines jumbo jet on Tuesday and flown to Rome. He was also stripped of his Argentinian citizenship, but travelled with an Israeli visa.

His wife and two sons, who have been in New York campaigning for his release, will meet him in Israel. Later Sr. Timerman will move to New York, where he has a contract to teach journalism at one of the universities.

In Argentina he founded several publications, the most recent one being the Buenos Aires daily La Opinion. The Government has confiscated his share in La Opinion, which continues to operate under the directives of a board of army and air force officers and most of his other property.

It was widely assumed that the junta's refusal to release Sr. Timerman was the result of official anti-semitism, but spokesmen for the junta always have denied this.

SOUTH KOREA'S GROWTH STRATEGY FOR THE NEXT DECADE

Painful road to economic maturity

BY RON RICHARDSON IN SEOUL

THE SOUTH KOREAN economy, which has often been [illegible] model of high-speed economic growth, is slowing down rapidly under the combined effects of deflationary Government policy and a worsening foreign trade environment.

The Government has applied the fiscal and monetary brakes sharply in an attempt to curb inflation which has run at an average annual rate of 18 per cent since the end of 1973.

By doing this now, economic policy-makers contend the economy will be on a sound footing to make the final drive to industrial maturity that they have mapped out for the 1980s. The alternative, they say, would be a South American-style inflation-devaluation cycle.

The authoritative Korean Development Institute has forecast that gross national product will grow by only 6.5 per cent between July this year and June, 1980, compared with almost 12 per cent in 1978.

For businessmen who have come to accept dynamic expansion as a fact of life, the new low-growth period is hard to accept, especially as it is occurring partly by design.

Industrialists are complaining that their companies are being starved of funds by a great squeeze at a time when stagnating exports have already slashed their earnings. High raw material costs and a three-year spiral of local wages have forced up the prices of many of Korea's key exports, making them less competitive in world markets, and forcing cuts in exporters' profit margins.

The highly vocal export industries, organised into the powerful Korean Traders Association, insist that they will be seriously damaged if the Government does not revert to an easy credit-high growth strategy, accompanied by a devaluation of the Korean won.

'Special pleading'

So far economic bureaucrats have treated this as a special pleading and are pushing on with their economic stabilisation programme, while quietly making extra resources available to the giant corporations which have led the country's export drive.

Tight money and slower growth for the next year will induce industry to begin the internal and external restructuring on which the sustained growth forecast for the 1980s will be based, they say.

The two diametrically opposed views of the needs of the Korean economy are based on different time-scales of reference. The businessmen are looking at yesterday and today, while the economic planners are looking to tomorrow.

Once this is taken into account, their assessments can be reconciled into a single picture of a successfully planned economy going through a period of painful adjustment.

Since 1961 the economy has swollen in size by 440 per cent in constant price terms, taking gross national product per head from $82 to a forecast $1,500 this year. The export-led growth strategy has seen foreign sales of merchandise grow from $43m to a probable $15.5bn this year.

In this time, the contribution of manufacturing to total GNP has doubled to its present level of about 27 per cent, half of that being concentrated in the heavy and chemical industries.

The greatest contribution to South Korea's growth during the second half of the 1970s when economies in many other countries were stagnating was its aggressive response to the oil shock of 1974.

Faced with a near quadrupling of the bill for its main energy source, the economic planners opted for a programme of heavy foreign borrowing and maximum stimulation of the economy. At the end of the year, the Government tied the package together with a hefty devaluation.

This response, in the words of Mr. Lawrence Krause, an economist of the U.S. Brookings Institution, "gets Korea the gold star for best handling of (oil crisis) policy." GNP growth for the year was a solid 7.5 per cent, while exports climbed 38 per cent. On the negative side was the accompanying domestic inflation, which measured in terms of the GNP deflator was 30.1 per cent.

The period of rapid growth accompanied by high inflation entered at this time carried the seeds of the problems now bedevilling Korea.

In the 5½ years since the oil price adjustment, consumer prices in the country have more than doubled, while wages have almost quadrupled.

The money supply has swollen, ranging up to an annual increase of 40 per cent in 1977, the year in which South Korea's success in winning construction contracts in the Middle East paid off in a big way. Contractors remitted $1.2bn in earnings which flooded into the domestic economy without offsetting imports to satisfy the demand it created.

During 1978 much of these funds found their way into the property market in a bout of vicious speculation. Urban house and land prices almost doubled during the year.

Finally alarmed at the serious domestic imbalance that was being caused by the export-growth-at-any-cost policy, the Government began to introduce late last year a series of liberalisations aimed at boosting the supply of goods on the domestic market while depressing demand with a sharp squeeze on the growth of the money supply.

The measures were pulled together in April in a stabilisation programme aimed at realigning the structure of the economy toward a better balance between domestic and export industries while aiming at a lower level of growth than in the 1970s.

This has hurt South Korean industry, which had become used to paying yesterday's debts from tomorrow's growth. Expansion of the broadly defined (M2) money supply is being pulled back from last year's 35 per cent rate to 25 per cent this year.

This target rate has almost been achieved already, pointing to the severity of the squeeze that has been applied. During the first half of the year, M2 rose by less than 5 per cent.

South Korean industry: feeling the draught of the Government's tough measures.

Forced bankruptcies

The rate of new bank lending is still 40 per cent, according to the Economic Planning Board, but quite a lot of this is going into major development projects already under way, leaving far less finance for small to medium firms.

As a large portion of the operating funds of Korean companies in the past have come from 90-day bank loans, regularly rolled over, many of these companies are being forced into bankruptcy. One of the first casualties and by far the biggest, was Yulsan, the former general trading company.

Also contributing to the slowdown in money growth is a heavy outflow of funds to pay for imports which flooded into the country in the first half at a rate 50 per cent up on the level of 1978.

This is a direct result of the Government's easing of controls on the import of goods in areas where domestic prices were far above international parity.

Another factor contributing to the import surge was a build-up of stockpiles of industrial raw materials. The rate of imports has slowed considerably in the past two months as this reserve buying has subsided.

Exports in the first half rose 19 per cent by value, but were actually 3 per cent less in volume terms. This highlighted the loss competitiveness of some export sectors, notably textiles and garments, which have been unable to absorb last year's average wage rise of 37 per cent in manufacturing industry.

Wage inflation is one of the main targets of the stabilisation programme. But the cure, as far as the order-deficient, credit-squeezed textile industry is concerned, is as bad as the ailment.

Many smaller factories have already closed their doors and laid off their workers.

Painful as this is in human terms, it is one of the short-term effects anticipated from the credit squeeze. The Government is planning for an increase of about 140,000 in unemployment this year to a level of 4.2 per cent of the workforce.

The Government believes this situation in industry will subdue pressure for a substantial wage rise at the end of the year, while observers say big productivity increases can be achieved by lay-offs as Korean companies have tended to overstaff heavily in the past because of the relative cheapness of labour.

However, the more politically sensitive sections of the Government have been having second thoughts about the social consequences of using unemployment as an economic tool.

But the economic planners, at least, are adamant that there will be no easing up on the squeeze until inflation is brought down to single digit level, perhaps by the end of next year.

Only then, they argue, can the country push on with the continued development of its heavy industry and social infrastructure which they have no doubt will culminate in its emergence as an advanced economy in little more than 10 years.

They have considerable backing for this judgment. In an analysis of the economy issued in May, the World Bank said: "the projections made by the Korean authorities suggesting that by 1991 Korea can join the ranks of the developed countries seem reasonable."

The Bank's report pointed to the "phenomenal rate" of increase in real investment—a yearly average of 33.4 per cent during the past two years—as a source of growth during the next few years while further restructuring of industry takes place. With this achieved, the Bank concluded, a steady GNP growth rate of 10 per cent annually was feasibly during the 1980s.

هكذا من الأصل

Japanese increase stake in Siberian coal development

BY DAVID SATTER IN MOSCOW

THE JAPANESE have deepened their commitment to co-operate in Siberian coal development with agreement to extend a $40m equivalent yen-denominated Japanese Export-Import Bank credit to the Soviets for the construction of a coal grading plant in south Yakutia.

The decision to expand the Japanese stake in the south Yakutia coal project comes amid signs that the Soviets may have difficulty beginning coal deliveries to Japan on schedule in 1983 under the terms of the previous agreement. This called for shipments of 6m tons of coal a year over 20 years to repay a $450m Japanese credit used in developing the deposits. Repayments of the new credit will also be in coal.

The agreement was one of several steps taken to increase the momentum of Soviet-Japanese co-operation in Siberian development announced during the four day meeting of the Japanese-Soviet Joint Economic Commission which ended here yesterday.

The two sides also reached "basic agreement" on their third co-operation project in Siberian forestry development. The Japanese hope this will be of the same order as the second forestry project in which the Japanese imported 17.5m cubic metres of timber over 1975-79 to repay a bank loan of $550m.

The Japanese side was reportedly anxious to avoid any hiatus in the timber deliveries and both sides said in a joint communique that they want to conclude a new contract by the end of the year.

Both sides said progress had also been made in two other pending co-operation projects: the enlargement of facilities at the Pacific coast port of Vostochny and the development of paper and pulp mills in the Soviet far east.

The Vostochny project would involve the expansion of the port to handle 300,000 containers and 10m tonnes of coal a year. Vostochny can presently handle 80,000 containers and 5m tonnes of coal a year. The cost of the project would be approximately $150m with the Japanese giving a credit for 90 per cent of the total with repayment in cash.

The paper and pulp mill development projects include construction of a paper-pulp mill in Amursk which will produce 250,000 tonnes annually, with work beginning in 1981, construction of a pulp-paper mill combine in Khabarovsk to be started in 1985-86 and reconstruction of formerly Japanese pulp factories on Sakhalin Island. The Japanese side expressed an interest in co-operating in the Sakhalin project with repayment no only in paper but also wood chips and logs.

Sharp increase in French motor exports

By Terry Dodsworth in Paris

THE POSITIVE French trade balance in motor industry products shot up by 14 per cent in the first half of this year following a big increase in exports of both vehicles and components.

Announcing these figures yesterday, the motor industry said it had maintained its position among French exporters this year, accounting for about 14 per cent of the country's overseas sales.

But it warned the Government that its performance could come under pressure if its base in France is undermined by harmful legislation.

In particular it is worried by the recent decision to impose higher road taxes on larger cars. Vehicles of this kind, says the industry, are flag carriers for the French manufacturers, and should bring in overseas sales of FFr 5bn (£617m) this year.

The figures show that vehicle exports earned the country more than twice as much as it spent on imports—FFr 17.7bn against FFr 8.3bn. Component exports amounted to FFr 9.8bn compared with imports of FFr 5.4bn.

This leaves a total balance in favour of the French industry of FFr 13.8bn, and an improvement in earnings of a good 4 per cent over the level of price inflation during the last year.

Since these statistics were completed the French industry has swung into an even greater period of growth. In July and August, exports rose by 41.5 per cent compared with the same period last year, rising from 166,000 cars to 235,000.

Production also rose strongly, going up from 295,000 units during the two-month period to 358,000—an increase of 21.6 per cent—while registrations moved ahead from 240,000 to 264,000, up 10 per cent.

INTERNATIONAL CHEMICAL INDUSTRIES

Japan reconsiders Iran project

BY ANDREW WHITLEY

THE JAPANESE Government appears to be having second thoughts about rescuing the financially-troubled Iran-Japan Petrochemical Company, a giant $3.3bn (£1.5bn) complex nearing completion on Iran's gulf coast.

The Ministry of International Trade and Industry (MITI) in Tokyo said yesterday it hoped to decide after next month's general election on the request from Mitsui, the main Japanese partner in the project, for Government financial assistance.

Moreover, there are indications that the Japanese Finance Ministry is only prepared to put up a fraction of the Y50bn (£104m) aid Mitsui is seeking. MITI yesterday also introduced a new element into the controversy by calling on Mitsui to justify the plant's future profitability.

The MITI statement said the Mitsui group itself should make maximum efforts to raise funds on its own, in order to finance Japan's half share of the Y100bn required to complete the project. Mitsui is known to be reluctant to put in more of its money and has been seeking to broaden the base of investment participation.

Hopes that the petrochemical complex would be completed rose sharply two weeks ago following the return to Japan of a Government mission to Iran. The mission was believed to have agreed in principle to provide the necessary finance following Iranian reassurances that the plant would not be nationalised and over Japanese oil supplies.

In response to the Government's latest statement, Mitsui said yesterday the group was still awaiting a reply to its request for Y50bn in aid. A company spokesman said he understood the Finance Ministry believed the requested amount to be too large.

Unconfirmed reports in Tokyo said the Finance Ministry wanted to draw the line at Y10bn, a fifth of the requested sum.

Despite the latest delay, the prospect that aid will eventually be provided has not been ruled out. Yesterday's statement said that the Government assistance would probably take the form of a low interest, long-term loan from the Overseas Economic Co-operation Fund.

Loans from the Fund are usually for periods of up to 30 years at an interest rate of about 3 per cent.

French overseas sales improve

BY DAVID WHITE IN PARIS

THE FRENCH chemical industry significantly strengthened its position as a net exporter in the first half of this year and is close to wiping out its traditional deficit with the rest of the EEC.

The country's surplus in chemicals reached FFr 4.98bn (£556m), which was 32 per cent more than in the previous six months and 54 per cent up on the first half of 1978.

Exports of FFr 23.7bn were 26 per cent higher than a year ago, while imports rose at a rather slower rate of 20 per cent to FFr 18.7bn.

France's exports to other EEC countries were enough to offset 96.4 per cent of its imports from them, compared with 92.3 per cent in the previous half year and 86.3 per cent in the six months before that.

The UK moved up from fourth to third position among France's outlets, taking FFr 1.98bn worth of French chemical products, 45 per cent more than a year earlier. West Germany and Italy remained the main export markets, with Italian purchases increasing by 42 per cent. Ireland's imports of French chemicals shot up by more than 90 per cent.

A large proportion of France's overall surplus comes from essences and perfumes and from pharmaceutical products. But these are among the less spectacular sectors for export growth. The biggest increases in foreign sales came from plastics (41 per cent since last year's first half), plant chemicals (32 per cent) and synthetic rubber (30 per cent).

By volume, plastics and synthetic rubber exports rose by 20 per cent and 21 per cent respectively.

The industry is expecting its overall growth rate to slow down in the second half to reach between 3 per cent and 4 per cent for the year.

Finished goods threat to EEC

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE EUROPEAN chemical industry could lose part of its market "irrevocably" because of the growing volume of imported finished goods coming into the Common Market, Mr. Eddy Lelyveld, chairman of the continental European section of the Society of Chemical Industry's warned yesterday.

Speaking at a meeting of the society's Canadian section in Quebec, Mr. Lelyveld said the European chemical industry's own domestic customers were losing market shares because of growing competition from foreign imports. This was happening in "many important areas."

Yet European chemical producers tended to see the danger from imports purely in terms of "the ambitious plans" of Eastern Bloc and Middle Eastern countries which wanted to develop their own chemical industries. But a "subtle change" was taking place in Europe's market place.

"The threat to the future of the European chemical industry is not so much from imports of Saudi ethylene or Czechoslovak synthetic rubber but rather that polyester bedsheets made in Taiwan, tractor tyres made in Czechoslovakia and a host of other finished goods with a large chemical content are reaching Europe in increasing quantities," Mr. Lelyveld, a former director of Shell Internationale Chemie, said.

Oil costs weaken NZ agricultural income

Financial Times Reporter

THE COMBINED effects of higher oil prices and inflation in the major industrial countries have resulted in New Zealand's agricultural exports buying, on average, some 20 per cent less of the country's import requirements.

This was pointed out yesterday by Mr. Leslie Gandar, the High Commissioner for New Zealand, who was speaking at the London Chamber of Commerce. He said it was, therefore, necessary to build a more broadly-based economy.

He said a policy of export promotion had been adopted, and conditions for inward investment had been liberalised, particularly where domestic products were too costly or of inadequate quality.

Mr. Gandar said that despite recent borrowing, New Zealand had no difficulty in financing its current account deficit and repaying debts.

Its energy resources were, be said, largely untapped and development of these would be geared towards reducing oil imports and eventually generating foreign exchange earnings.

Nott seeks Australian tariff delay

CANBERRA—Mr. John Nott, the British Trade Minister, has called on the Australian Government to delay dropping trade preferences with Britain.

Mr. Nott said yesterday that he wanted a four- or five-month gap to allow British manufacturers and Australian importers to sort out their orders.

Mr. Doug Anthony, Australia's Overseas Trade Minister, announced on Wednesday that traditional trade preferences with Britain on 500 items would be abolished and given to developing countries.

Mr. Nott told a Press conference that the British Government understood that trade preferences could not continue indefinitely, but felt sufficient notice should be given before they were scrapped. He said Mr. Anthony had agreed to consider his request.

AP

POLAND'S HARD CURRENCY INFLUX

Retail outlets on the rise

BY CHRISTOPHER BOBINSKI IN WARSAW

THE PROFIT margins of Poland's chain of Pewex hard currency stores—which sell both Western and Polish-made goods—must make them one of the most successful enterprises in the country.

According to a candid report in the trade paper Rynki Zagraniczne, Pewex made a profit of 78 per cent on its overall trade last year. This divides up into a profit of 94 per cent on imported goods and 60 per cent on Polish-made goods.

The number of retail outlets is growing fast and at the last count there were 342 shops and 110 hotel kiosks throughout Poland. The hard currency spent in the shops comes from various sources such as the earnings of the 60,000 or so Poles who now work abroad, and from the 1m or so tourists who come here each year.

The possession of U.S. dollars by Poles was once a criminal offence, but since 1976 the authorities have encouraged people to open bank accounts and deposit hard currency, with no questions asked about its source.

This has encouraged hard currency savings in the state owned PKO bank and according to the Ministry of Finance there were now around 800,000 account holders who in all hold some $400,000 (£192,000). The amount spent in Pewex shops last year reached $150.8m.

This was a 29 per cent growth on sales in 1977 and compares with sales worth $67m in 1973 when Pewex was established. The shops sell a wide range of goods such as Western stereophonic equipment, bathroom furniture, clothes and whisky.

While 43 per cent of Pewex's income comes from sales of Polish goods, the major item here which brought in $40.5m last year, is Polish vodka which is slightly cheaper in Pewex than in the normal sops. Poles spent $85.5m on Western goods in Pewex shops last year.

The structural breakdown of Pewex overall sales last year gives a 44 per cent share to clothing, with food taking 38 per cent and other goods 13.6 per cent.

Cosmetics sales were worth $5.3m while Western car sales, which were introduced last year, represented 1.3 per cent of the turnover. The authorities are now planning to expand Pewex and sales this year are expected to reach $200m. It intends to increase sales of Western luxury goods and Western made cars.

This expansion of the hard currency sector within the Polish economy is not of course without its critics. The publishing of Pewex's financial results is clearly designed to show the financial advantages of the shops to the State, but the issue is by no means as controversial as in East Germany where a similar system exists.

It is also argued that given the fairly substantial hard currency private holdings here, Pewex limits the activities of Western mail order companies which would otherwise enter the Polish market.

BOND DRAWINGS

MORTGAGE BANK OF FINLAND OY

US$20,000,000 9¾% GUARANTEED BONDS 1981

HAMBROS BANK LIMITED HEREBY GIVE NOTICE that in accordance with the terms of the above mentioned loan the redemption for 15th October, 1979 has been effected by the purchase of US$ 766,000 nominal bonds and the balance amounting to US$1,234,000 nominal bonds were drawn on the 20th September, 1979 for repayment at par.

The drawn bonds may be presented to Hambros Bank Limited, 41, Bishopsgate, London EC2P 2AA or to the other paying agents named on the bonds.

Bonds surrendered for redemption should have attached all unmatured coupons appertaining thereto. Coupons due 15th October 1979 should be detached and collected in the usual manner.

For payment in London, bonds must be lodged through an Authorised Depositary. Bonds will be received on any business day. Bonds must be left three clear days for examination.

BONDS OF $1,000

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BONDS DRAWN U.S.$1,234,000

20th September 1979

ENERGY REVIEW: CONSERVATION BY RAY DAFTER, Energy Editor

Key to economic stability

NEXT WEEK sees the beginning of International Energy Conservation Month. A decade ago this event would probably have ranked alongside one of Britain's more obscure charity "flag days"—worthy, useful to a limited extent but hardly of worldly significance. How times have changed.

Belatedly, energy conservation is now becoming recognised as a key to economic stability in times of uncertain fuel supplies and fast-rising prices. A concerted effort on conservation—one only just started by the leaders of major industrialised countries—could have as great an impact as a full-scale expansion of nuclear energy, the development of alternative energies, or accelerated growth in international coal trading.

Not that these are alternatives. Each will have to feature in the world's energy strategy if we are to emerge from the present mess in reasonable shape. This is a message contained in a new report from British Petroleum's policy review unit. BP puts it bluntly: "The energy crisis is here. We have to choose between forgoing economic growth or starting to grow without more oil." It adds that energy will be far more expensive in the future, so much so that some consumers who are already dependent on society for help may need further assistance to meet the cost.

BP puts forward four general conclusions of ways for easing the energy problem and maintaining economic growth:

● Removing price controls and adjusting taxes so that energy finds its market price;

● Ensuring that energy producers have the incentives and opportunities to develop more resources of energy in all fields;

● Encouraging more research into renewable sources of energy;

● Encouraging the conservation of energy by both industrial and personal consumers.

On this last point, there is already evidence that higher prices and fuel shortages have compelled energy users to be more efficient. This is particularly the case in industry. For instance, in countries within the Organisation for Economic Co-operation and Development the energy input per unit of industrial production in 1977-78 appears to have been some 7 per cent below the 1970-73 average, according to BP. In the U.S. the improvement was even more marked with a drop of about 20 per cent over the same period.

The picture seems to be different when it comes to the personal use of energy. BP found, no doubt to its dismay, personal energy consumption per unit of Gross Domestic Product actually rose by 3 per cent in OECD countries between 1974 and 1977 although in the U.S. the trend was just the opposite. In spite of a sizeable increase in petrol consumption, relative to income, the U.S. recorded an improvement in personal energy consumption of about 7 per cent.

The U.S. can do so much to set the tone of world-wide energy conservation measures. It is the major energy user, accounting for 30 per cent of world oil trade and some 16 per cent of non-Communist world production. It has been the butt of the attack by major oil producers, seen by them as profligate in its use of energy and slow to respond to the changed supply position. But as the BP report shows, the U.S. has at least made a start in the area of conservation. But so much more could be done, given sensible policies and a consensus commitment behind such policies.

Equivalent

The opportunities in the U.S. have been outlined by the Harvard Business School in a new report* which is having a considerable impact within political and energy planning circles. The authors of the report, Professor Robert Stobaugh and Dr. Daniel Yergin, believe that the U.S. could raise its energy supply from the equivalent of 37m barrels of oil a day in 1977 to 54m b/d of oil equivalent by the late 1980s without any increase in oil production or imports and only a modest growth (1m b/d each) in nuclear production and natural gas imports.

The balance would come from increased domestic coal production (an extra 4m barrels of oil equivalent a day), solar energy, including hydro-electricity (up 3m b/d) and extra energy conservation (5m b/d). In the Business School's eyes, therefore, a more aggressive conservation policy in the U.S. could "provide" almost half of the extra energy that might be needed between 1977 and the late 1980s.

Whether the U.S. energy needs in the late 1980s will be the equivalent of around 54m barrels a day is a moot point. One of the biggest problems associated with energy planning is that no-one is sure how economic conditions, conservation measures and the pricing and supply policies of major fuel producers will interact and affect energy demand in the future. Past experience has taught us how wrong forecasters can be.

For example, in 1973 Exxon could see energy demand in non-communist areas rising to the equivalent of 162m barrels a day by 1985. When making its forecast two years later the company trimmed the expected demand, to a little more than 130m b/d. Exxon now sees little chance of the demand rising above 125m b/d.

BP concedes in its new report, "Oil Crisis—Again?", that its own forecast for 1985 oil production has changed considerably in recent years. In 1973 it forecast non-communist world production being perhaps 80m barrels a day in the mid-1980s, as against 49m b/d last year. Now it cannot see more than 63m b/d of oil being produced in 1985.

Again, there is no certainty that these supplies will be available. BP points out that to achieve this level of output in 1985, members of the Organisation of Petroleum Exporting Countries would need to produce some 40m barrels a day, against their 31.6m b/d output last July. However, in its calculations BP has included some 9m b/d of "discretionary" OPEC production — oil output that could be withheld for political or economic reasons.

It remains an uncomfortable fact that over 60 per cent of the non-communist world's known oil reserves lie within OPEC member countries: over 30 per cent are in Saudi Arabia alone. To underline the concern of energy users in the West it should also be pointed out that two-thirds of the reserves lie in the territories of Middle East members and 72 per cent of non-communist oil is in the states of Islamic members.

The uncertainty surrounding how quickly these OPEC countries will be willing to exploit their oil reserves is illustrated by the large number of varying forecasts that have been published in recent years. The International Energy Agency has published a fascinating monograph† which has summarised some 73 of the more important forecasts. To take the extreme cases, one of the projections showed that by 1985 the world would need some 50m b/d of OPEC production (U.S. Central Intelligence Agency, 1977): another foresaw the need for no more than 30m b/d (OECD $9 case, December 1974).

There now seems to be general agreement within the energy industry that from now on oil will remain in tight supply. This does not mean that sometime in the next century, the world is going to "run out" of oil—a popular misconception. Rather as BP points out, the world is going to have to switch from an oil supply which grew at 5.5 per cent a year over the half century to 1973, to a supply which declines.

This seems inevitable, quite apart from the impact of any political actions taken by OPEC members. For, quite simply, the rate of new oil field discoveries will soon fail to match the decline in production from existing fields. This will probably happen in the next five years so that the amount of oil available in the 1980s will not greatly exceed the amount of proven resources last year. By 1990 proven oil reserves—the amount ready for exploitation—should be lower than at present.

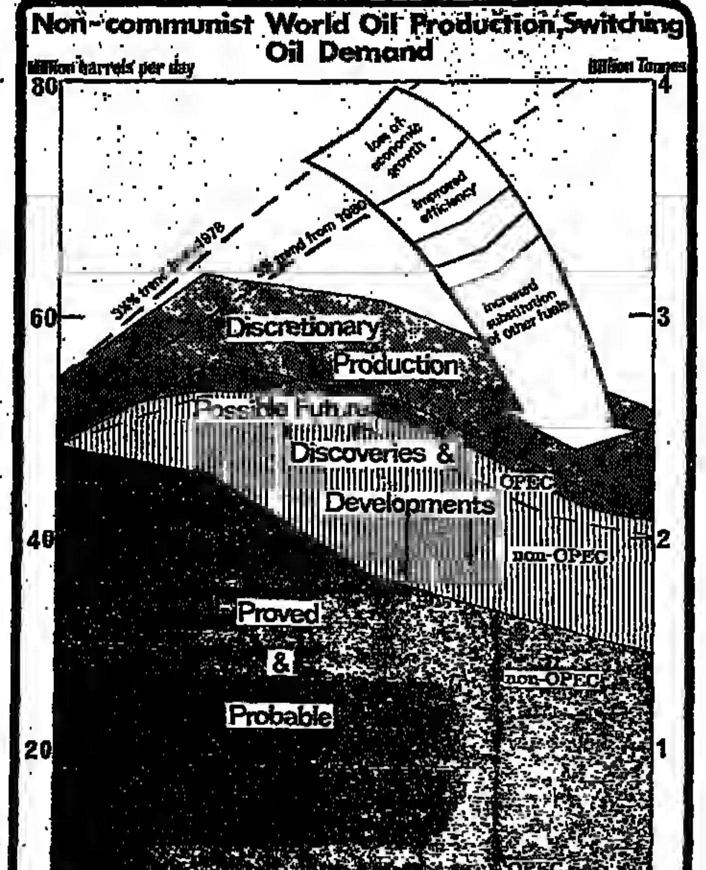
There are two underlying reasons for this pessimistic view. First, future oil discoveries are likely to be much smaller than those "super giant" fields which now account for much of the world's known reserves. For instance, over one-fifth of the proven oil reserves in non-Communist countries lie in just four fields; 29 oil fields account for almost half of the reserves. The remainder—130 per cent of non-Communist reserves — is scattered among no less than 30,000 oil fields.

To maintain the present level of oil production, the oil industry must discover every year the equivalent of two Alaskas or as much oil as has been found in the North Sea in the past decade. However, for the past 10 years oil explorers have sought in vain for more "super giant" fields (those with recoverable reserves greater than 5bn barrels) which could give this necessary boost. In the 1940s, 1950s and 1960s such huge fields accounted for the greater part of the oil discoveries: today, it seems, the industry must make do with a lot of smaller, often more remote fields.

Field output

The second factor influencing the trend of future production concerns the rate of output that can be achieved in mature fields. The rate of production which can be sustained from any particular oil reservoir declines as the oil is depleted. This decline can be partially offset by the injection of water or gas (methods already widely used in the fairly young North Sea fields); it can be further arrested by more exotic enhanced recovery schemes: the injection of chemicals, carbon dioxide or heat, for instance. But there are limits to such processes.

If oil cannot continue to satisfy growing energy demand, what will? Coal is an obvious answer: world reserves are 10 to 12 times that of oil. However, environmental concern could inhibit the speed with which coal production is increased. In the U.S.—one of the world's big potential sources



of coal supplies—there has already been a 40 per cent reduction in the estimates of maximum potential production in the medium term. In 1974 the U.S. Energy Department could see coal production rising from 335m tonnes of oil equivalent to between 675m and 1.2bn tonnes by 1985. Last year the 1985 projection was trimmed to 613m-730m tonnes of oil equivalent.

Similarly, the nuclear option has been put in doubt by those concerned about potential hazards and long-term environmental effects. Consequently between 1974 and 1978 the forward estimates of nuclear-fuelled electricity generating capacity within OECD countries in 1985 has more than halved. In 1974 it was thought that by the mid-1980s nuclear energy might be providing 755m tonnes of oil equivalent within the OECD: some 13 per cent of the total energy supply. Last year the estimate was reduced to just 325m tonnes, 6.5 per cent of the energy supply.

This brings us back to BP's conclusions and recommendations. The company believes that non-OPEC countries could find they way out of recession into economic growth by accelerating improvements and in energy efficiency, by stimulating non-OPEC oil exploration and production, and by creating a stable and only minimal demand on the "discretionary" oil available from OPEC producers.

The accompanying graph indicates the extent to which oil demand over the next two years decades must be restrained if consumers are to avoid putting pressure on OPEC to raise their output above the levels they themselves would prefer. Even a 3.5 per cent annual growth in oil consumption (half the pre-1973 trend) would put such pressure on OPEC; pressures that member states seem determined to resist.

Insufficient

The message is clear, within a few years the available oil supply will be insufficient to meet a continuing growth in demand—any growth. And that is regardless of any unforeseen production cuts, such as the one experienced in Iran. Either major energy consumers move more quickly with their policies on conservation and the development of alternative fuels, or they will find conservation forced on them, in the unwelcome guise of continued economic sluggishness.

*Robert Stobaugh and Daniel Yergin, "Energy Future," Random House, $12.95.

†John R. Brodman and Richard E. Hamilton, "A Comparison of Energy Projections to 1985," IEA Monograph.

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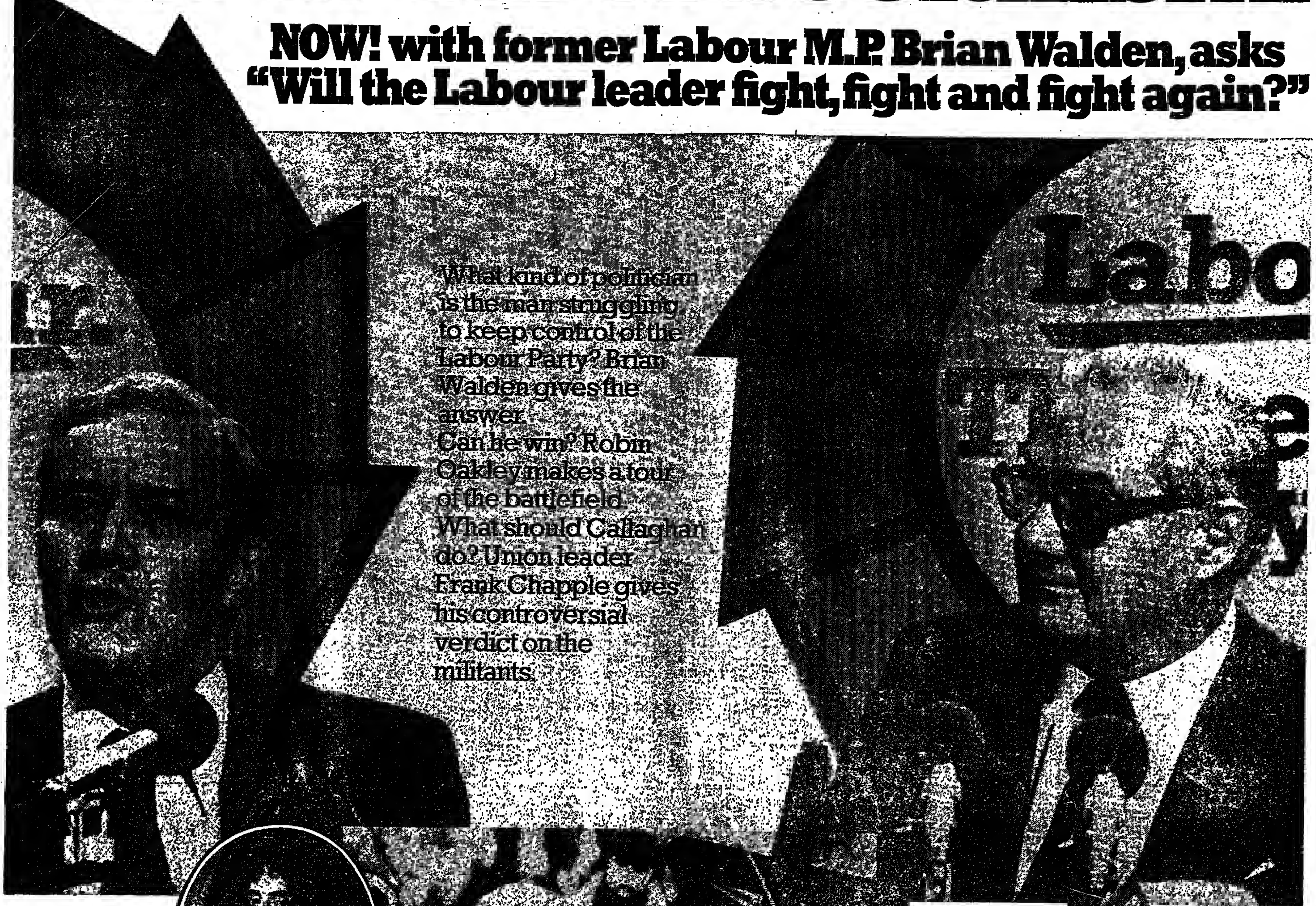
The crisis of Socialism.

NOW! with former Labour M.P. Brian Walden, asks "Will the Labour leader fight, fight and fight again?"



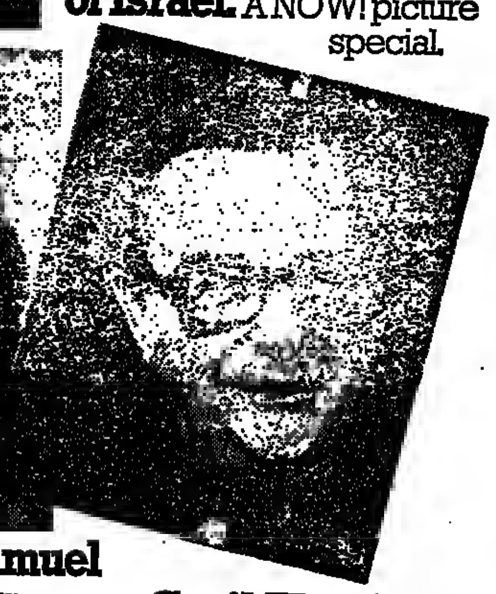
What kind of politician is the man struggling to keep control of the Labour Party? Brian Walden gives the answer.
Can he win? Robin Oakley makes a tour of the battlefield.
What should Callaghan do? Union leader Frank Chapple gives his controversial verdict on the militants.

Charles II
Sir Arthur Bryant reviews Antonia Fraser's latest biography.

Britain's birds of prey.
How they are being saved.

The mission of John Paul II.
In NOW! this week, Paul Johnson looks at the man and his mission.

The present state of Israel. A NOW! picture special.



Patrick Hutber
on a City scandal.

Kathryn Samuel
on fake furs.

Cyril Fletcher
on gardening.

Encounters with the Past – the verdict.
Professor Eysenck and Gordon Rattray Taylor give their expert views.

NOW! this week focuses upon two important events, the Pope's visit to Ireland and the Labour Party Conference.

There is an interview with John Wood, one of Britain's most acclaimed actors, whose Richard III might well be the first to challenge the authority of Laurence Olivier's definitive performance.

We also have a picture special on Israel. Hugh Thomas examines what the Russians are doing in Cuba.

And Clive Barnes writes about the new Broadway season.

EVERY WEEK 50p

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The news magazine.

UK NEWS

Plea for moderate action to save fuel

By Kenneth Gooding, Motor Industry Correspondent

A WARNING that governments should not endanger the viability and competitiveness of the European motor industry by taking hasty action to conserve fuel came yesterday from the UK Society of Motor Manufacturers and Traders.

The society pointed out that 2.5m people are directly engaged in the manufacture of motor vehicles, components and materials for vehicles in the EEC. The industry was "essential in a modern industrialised society."

Therefore "government policy must recognise the constraints within which the motor industry is forced to operate, taking due account of the lead times involved in effecting changes in vehicle design and of the need to safeguard the profitability of existing investment."

In a paper "Energy and the Motor Industry," the society argued that national energy policies should reflect the place of road transport in a country's economic and social structure.

Consumption

Road transport would remain dependent on oil as its principal energy source well into the next century. And "no realistic contender has yet emerged as successor to the internal combustion engine for the mass of road transport."

The paper points out that since 1974 the average fuel consumption of new cars sold in Britain has decreased by around 10 per cent and that the manufacturers had committed themselves to getting a further 10 per cent improvement by 1985.

But progress depended on:

- Legislation on environmental and safety requirements.
- The ability of manufacturers to earn the money to finance and develop more fuel-efficient vehicles.
- The car owners' willingness to accept new car designs and to pay for the necessary changes.

Nuclear power growth needed, electricity conference told

BY RAY DAFTER, ENERGY EDITOR

BRITAIN will face a substantial gap between energy demand and domestic supplies within the next two decades, Mr. Norman Lamont, Energy Under Secretary, warned yesterday.

He told delegates at the South West annual conference of electricity supply committee members in Exeter that Britain's annual energy import requirement in the year 2000 could be more than 100m tonnes of coal equivalent.

"Some of those requirements may be able to be met by imports but on any realistic assumption we shall find it difficult to meet our demand at tolerable prices without a contribution from nuclear power," he said.

Mr. John Moore, another Energy Under Secretary, also stressed the importance of energy conservation yesterday.

"It is an essential and vital part of our energy policy and will provide the bridge between our conventional energy world and the very different one we will face in the next century," he told the Central Kent Productivity Association in Maidstone.

Meanwhile, Dr. David Owen, the Opposition Energy Spokesman, has urged the Government to abandon its plan to sell some of its British Petroleum holdings.

In a letter to Sir Geoffrey Howe, the Chancellor of the Exchequer, Mr. Owen said it would be particularly unwise to sell the shares now.

There were good grounds for hoping that BP's position in Nigeria would be restored and this should itself add substantially to the value of the Government's holdings. It was also reasonable to hope for additional oil finds from BP's worldwide exploration activity.

Mr. Owen said that if a sale was still contemplated, it should be restricted to no more than 10 per cent of the Government's 51 per cent holding, to keep Government control of the company.

● Major energy users could face serious shortages of fuel within a few years unless urgent steps are taken to implement conservation measures and to step up the production of fuels other than oil, the head of British Petroleum's "think tank" said yesterday.

Mr. Robert Belgrave, who was presenting a BP report on oil supply—called "Oil crisis... again?" said the era of cheap and plentiful oil had come to an end.

Consumer voters had a grudge against the supply industry and the prospect of it making profits that were necessary to stimulate investment.

Estimates for coal, nuclear and gas supplies had all been reduced, both by industry and government sources. "The main reasons for this are not economic but are political, institutional and social," he said.

● Sue Cameron writes: Britain used 5.5 per cent more energy in the early part of this year than in 1978—but oil consumption dropped slightly in June and July compared to last year, according to the latest figures from an official publication, Energy Trends.

UK oil production between May and July this year was 21.1m tonnes—7.3m more than in the same period last year. Deliveries of crude to UK refineries totalled 25.2m tonnes and 40 per cent of this came from the UK sector of the North Sea.

Overall, oil consumption during the three-month period showed a 0.3 per cent increase on 1978.

Coal consumption between June and August was 12.2 per cent up on 1978 at 27.7m tonnes and gas consumption by 3.8 per cent, or 2,518bn therms. Electricity consumption was 5.5 per cent higher in May, June and July than last year.

Howe hints at overseas aid changes

BY PETER RIDDELL, ECONOMICS CORRESPONDENT, IN VALLETTA

SIR GEOFFREY HOWE, Chancellor of the Exchequer, yesterday indicated that the Conservative change of direction in economic policy in favour of private enterprise and a free market, applied abroad as much as at home.

He told the annual meeting of Commonwealth Finance Ministers here that Britain would have "to get its own house in order" before being able to provide more official aid to less-developed countries.

While continuing to support an expansion of the resources of the World Bank and an enhancement of the International Monetary Fund's activities, Sir Geoffrey urged that the private sector should accept a bigger role.

This blunt message, expressed in characteristically quiet language, represents a clear break with previous British Chancellors, who tended to accept more readily the views of the lobby favouring more overseas aid.

Sir Geoffrey urged Commonwealth countries to make more effective use of existing institutions, including the market place. The role of the private sector and of private capital should not be forgotten, he said.

The politicians' job was to create and maintain an environment hospitable to enterprise and there was a correlation between the maintenance of such an environment and economic performance.

The Chancellor also argued that the recent liberalisation by the UK of its exchange controls would allow capital to move more freely around the world. This would benefit poorer nations as long as they did not try to keep out private capital.

On the overseas aid question, he stressed that Britain's ability to help less prosperous countries was dependent on an improvement in Britain's own economic position. At present the UK's ability to transfer resources was limited and the overseas aid programme would have to make its contribution to the review of public spending plans. It is likely that spending on aid will be held down.

Sir Geoffrey said at a later Press conference that there was a surprising absence of specific criticisms on this issue. More generally, he felt far from isolated in view of the similar opinions in Australia and Canada.

Moreover in Jamaica the top income tax rate had been cut to 57½ per cent and all this represented an "encouraging illustration of greater humility by politicians."

Officials with long experience of meetings such as this one believe there has been greater realism and less stridency in some of the speeches than previously, although there is little genuine discussion among the participants. Instead, there tends to be a series of formal speeches.

The final communique, produced last night, was shorter than before. It recognised the problems of poorer countries and also the difficulties of richer Commonwealth members.

The Ministers, who will be flying together to Belgrade this morning for the annual meetings of the International Monetary Fund and the World Bank, repeated their call for an increase in the flow of resources—both private and official—to poorer nations. In particular, they urged rapid approval for the $40bn general increase in the World Bank's capital and for the replenishment of the resources of the International Development Agency, the bank's soft loan arm.

Noise ban threat to hovercraft service

THE FUTURE of the world's first commercial hovercraft route is in jeopardy because of noise levels.

Planning permits for the beach terminal at Southsea, Hampshire, expire next year, and councillors at neighbouring Gosport are to oppose renewal.

The case has been taken up by Hampshire environmental planning sub-committee and Portsmouth city council.

Operators of the service to the Isle of Wight claim that moving the terminal would make the route uneconomic but plans are in preparation for a quieter craft.

Council cutbacks

PUBLIC SPENDING cuts of more than £6m were approved by Northamptonshire County Council yesterday in spite of threats of industrial action by trade unionists. Because of the cutbacks 500 council employees are are to lose their jobs.

Ford raise prices

THE LIST prices of Ford commercial vehicles have been increased by an average of 3.6 per cent. The group has also raised the prices of some cars after changing to the specifications.

Managers' salaries

COMPANIES ARE still not clear on how best to reward top management in the light of the Budget changes, but more senior managers prefer cash to benefits in kind, says a survey by Keyser Ullmann on Top Management Remuneration in Consumer Goods, Manufacturing, Retailing, Leisure and Services.

Pollution claim

GOVERNMENTS AND oil companies are accused of being "indifferent" to the problems of sea pollution in the latest edition of Jane's Ocean Technology 1979-80. The book claims that insufficient cash is available to fight pollution.

Renault launch

RENAULT Trucks and Buses has announced two new commercial vehicles designed for the UK market. The vehicles, are a lightweight tractive unit to haul 32 tons and a 16 ton chassis cab.

Health check

FAMILY DOCTORS favour the expansion of private general medicine according to a survey conducted by Pulse published yesterday. More than 88 per cent felt that private insurance schemes, such as those operated by BUPA, should be extended into general medicine.

British Airways to cease Guernsey flights

BRITISH AIRWAYS is to cease all services to Guernsey from April next year and the airline's station on the island is to close, the Channel Islands Air Advisory was told yesterday.

British Airways said the airline's Guernsey routes were uneconomical and that its fleet of Viscounts which are used on the routes would be phased out by 1981. The airline had no plans to replace them with jet aircraft.

Hong Kong charges over Saint-Piran

BY JAMES BARTHOLOMEW IN LONDON AND PHILLIP BOWRING IN HONG KONG

THE HONG KONG Government has brought 26 charges against three local companies which used to be substantial shareholders in Saint Piran, the controversial British public company.

The move comes after a year of conflict between Saint Piran and certain shareholders who have maintained that Mr. James Raper, a previous chairman of Saint Piran, has continued to exercise considerable influence over the company—an assertion that Saint Piran has denied.

Among the charges faced by Sterling Azalea, Apricot and Charnwood Investments, their directors, company secretaries and managers are failure to disclose information relating to their holdings in Saint Piran and furnishing the Commissioner for Securities with false or misleading information.

Individuals named in the charges are Mr. Charles Ian Skinner, a director of Charnwood, Mr. Wong Chun Ming and Mr. Tso Joe Tak, a director of Apricot and Sterling Azalea.

All three are charged under section 123 of the Securities Ordinance which gives the Securities Commission power to require disclosures.

Earlier this year Mr. Max Lewinsohn and other dissatisfied shareholders at Saint Piran also attempted to find out who was behind the three Hong Kong companies.

The answer received by Saint Piran to its own formal request for information was that the three held shares in Saint Piran in their own right and not for the benefit of someone else.

The Lewinsohn group contended in court that this was untrue but failed in its application to stop the companies and four other companies registered in Panama and Luxembourg from voting on the group's motion to eject the Board.

Since then the three companies appear to have sold their holdings to Gasco Investments, a Hong Kong company chaired by Mr. Raper. The shareholders' register shows transfers on May 10, of 400,000 from Charnwood, 550,000 from Sterling Azalea and 320,000 from Apricot.

The transfers are numbers 9906, 9907 and 9908 respectively and these same numbers were also on the account of Vihong Nominees when it acquired the same number of shares in Saint Piran at the same time. Vihong Nominees appears to act as nominee for Gasco.

Farmers beaten in bid for 2,700-acre estate

BY CHRISTOPHER PARKES

AN UNNAMED insurance company has outbid local farmers for ownership of a 2,700-acre arable farming estate on prime land in Lincolnshire, which produces £42,000 a year in rents.

The Hough on the Hill estate of the late Lord Brownlow went to the anonymous buyer after a bid of more than £3.5m, according to the agents, Savills. The bid was tendered by London agents Smiths-Gore.

Tenants on six of the farms on the estate—one holding was farmed by the Brownlow trustees—had raised funds to buy the land themselves. But, as has happened with other estates in the area recently, they were outbid by a City institution.

The tenants said they were disappointed but were fairly confident that radical changes in the running of the estate were unlikely. However, estate rents are to be reviewed early next year.

Old Masters dominate Burlington Art Fair

THE BURLINGTON International Fine Art Fair, offering probably the finest collection of pictures for sale in the world, opens at the Royal Academy today and continues until October 12. The Fair follows the success of a similar venture two years ago.

Almost 500 works are on offer at prices ranging from £100 to

SALEROOM

BY ANTONY THORNCROFT

about £150,000 and since the 39 exhibitors include many of the leading London art dealers most of the pictures are in the four-to five-figure price range.

Unlike the first Fair in 1977 this time most of the exhibitors are British, including Colnaghi, Haim, Spink, Richard Green and Christopher Hood.

Another change is an emphasis on Old Masters. There are some 19th century works but few moderns apart from items from Ivor Braunman's Hague Gallery which is offering a Dufy and a van Dongen.

Admission, which includes a catalogue, is £1.50, half for children, and works to look out for include a fine "Virgin Enthroned" by Isenbrandt, and a striking portrait by Zurbaran (both from Trafalgar Galleries); a Van Os still life at Richard Green; a tiny Tissot at Christopher Wood; a pretty Lavery at Spink; and some interesting Continental paintings at the Louise Whitford/David Hughes stand.

Christie's concluded its disposal of the contents of North Mymms Park, near Hatfield, the former home of Major-General Sir George Burns, with a book sale which brought the total for four days to £2.509m. over double the saleroom's pre-auction forecasts. The top price yesterday was £5,000 for a 12-volume Bible in French, printed in Paris between 1789 and 1812 by P. Bozerian, Jeune. Meanwhile, in Edinburgh Sotheby's has begun selling Scottish books, many the property of the Free Church College. A small roomful of theological books fetched £2,500 and about 3,000 18th- and 19th-century pamphlets made £1,550.

Welsh air service cuts attacked

ECONOMIES planned by British Airways and British Petroleum could seriously damage the Welsh tourist industry, Lord Parry, chairman of the Wales Tourist Board, said yesterday in Blaenau Ffestiniog, Gwynedd.

He attacked the airline's plans to cut services from Cardiff airport and BP plans to reduce the number of filling stations, particularly in rural areas.

Closing filling stations when petroleum companies were making "massive profits" must be questioned by public bodies and by every sensible person, Lord Parry said. It was "deeply offensive" that British Airways should lack the faith and the courage to identify with Wales and its tourist industry.

Land-Rover is Olympic sponsor

By Our Midlands Correspondent

LAND-ROVER, the BL subsidiary, will help sponsor the British team for the 1980 Moscow Olympics. It will supply 13 Land-Rovers or Range Rovers at "a generous discount" to transport competitors in the build-up period and during the Games.

Sir Dennis Follows, chairman of the British Olympic Association, said yesterday that transport costs formed the major part of outgoings.

Sweets halted

DELIVERIES OF sweets and chocolate to West Midlands shops have been halted by a strike at the Rowntree Mackintosh warehouse in Penkridge, Staffordshire.

Barrage of criticism for tachograph proposals

BY LYNTON McLAIN

GOVERNMENT plans for making the tachograph vehicle performance recorder compulsory after December 31, 1981, were announced yesterday amid a barrage of criticism from industrial transport users.

Mr. Malcolm Banks, president of the Freight Transport Association, told the association's national conference at Eastbourne that the draft regulations presented industry with "an absurd if not impossible timetable."

The Government's plans were announced by Mr. Norman Fowler, Transport Minister. The draft regulations, needed to bring Britain into line with EEC rules, call for the £230 tachographs to be fitted successively to specified classes of vehicles.

Newly registered vehicles have to be fitted by April 1 next year. But until December 31, 1981, the use of tachographs will be voluntary, apart from lorries and coaches on journeys to other EEC countries.

Mr. Hugh Featherstone, director-general of the association, said it would not be possible to fit some vehicles by April because of "insufficient capacity" in Government-approved centres.

The Transport Department has approved 170 centres where tachographs may be fitted, calibrated and sealed. A total of 450 centres is planned to be in operation by late 1980.

Mr. Fowler said yesterday that he did not underestimate the scale of the problem facing hauliers. "But our evidence shows that two years is a practical phasing in period."

● NEWS ANALYSIS—METRICATION TROUBLES

Mrs. Oppenheim opposes change

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A CONFRONTATION between the Government and industry is building up over the slow progress toward completion of the metrication programme.

The Metrication Board is about to force the issue with a special report to the Government calling for action to complete the programme and so, according to Mr. Max Wood, its chairman, get "rid of the burden of costs that two measurement systems impose on British industry."

The Board is backed by the CBI and other business organisations in its desire to finish the switch to metrication started some 14 years ago. "There can be no turning back for industry and commerce in Britain," said Sir John Methven, the CBI director-general, yesterday.

The Retail Consortium, after a meeting with the Board yesterday, said that it was "dismayed" that the Government still "refused" to sort out the muddle over metrication.

But the Board and its supporters face opposition from Mrs. Sally Oppenheim, Minister for Consumer Affairs. She has long campaigned against an enforced switch to metrication, preferring a slower change on an entirely voluntary basis.

Last year she was behind an impressive victory over the Labour Government which forced a climbdown over its policy of compulsory metrication. Since the Tories came to power Mrs. Oppenheim has made her opposition to compulsory metrication firm Government policy.

On Wednesday she reaffirmed this policy, when opening a pickle factory in Suffolk, by emphasising that she had no plans to issue compulsory metrication orders.

But even Mrs. Oppenheim acknowledges that the metrication in the past decade cannot be undone, since the U.S. is committed to it.

Britain could become the only major country in the world still using Imperial measures.

Nearly 67 per cent of exports goes to countries already using the metric system, and almost all the rest to countries in process of switching to it.

In the UK the metrication programme has been implemented in:

Agriculture and horticulture, industrial materials, construction, and large sections of manufacturing industry.

Wholesaling of petrol, milk, cheese, fruit and vegetables, fabrics, floor coverings and home improvement materials.

Fat stock markets and many port fish auctions are metric.

Pre-packed prescribed quantity foodstuffs. By 1980, over 90 per cent by value of these will be in metric sizes. A variety of other pre-packed goods, such as many drinks, paint, and lubricating oils, are in metric sizes.

Postal and telecommunication services and new and revised Ordnance Survey maps.

Measurements in athletics, rugby union, competitive swimming and greyhound racing are generally metric.

Over 18m young people are educated mainly in metric units, and the number is increasing by about 750,000 each year.

The main sectors not so far metric are parts of the retail industry and road signs.

Retail areas not metric are weighed-out foodstuffs, some sales by length or area for carpets, fabric, hardware and petrol.

The retail motor trade has called on the Government to announce a switch from gallons to litres for petrol.

Mrs. Oppenheim's decision to stand firm over the remaining metrication programme is basically because the most contentious areas have been left until last.

If the engineering companies switch to metric-sized screw threads, then the general public is not largely affected. But when pints of beer or pounds of apples, yards and miles are changed, then the public begins to sit up and take notice.

She firmly believes in listening to grass-roots consumer opinion, and remains convinced that the ordinary member of the public does not want to be rushed into thinking metric in areas which affect his daily life.

Mrs. Oppenheim is backed by a survey commissioned by the Metrication Board itself.

This, made by NOP earlier this year, found that only 31 per cent of adults favoured changing to metric, while 46 per cent were opposed.

Of those hostile to metrication, 29 per cent said they did not like change; 21 per cent did not understand the reason for change; 20 per cent thought it too complicated; 15 per cent said it would be too difficult for old people.

However, 72 per cent of those surveyed accepted that the metric system would make trade and business much easier.

Even small businesses, which might be expected to oppose because of the problems caused by the switchover, now favour the metrication programme being completed and the present confusion ended.

The Metrication Board has sought to dispel the argument that metrication leads to unnecessary price rises.

While Mr. Wood acknowledges that "a handful of unscrupulous people will always try to exploit any new situation," he says that few complaints have been brought to the attention of the Board.

EMPLOYERS' PROBLEMS with young recruits bewildered by feet and inches because they were schooled only in metric measures illustrate the gap between education and the working world.

They also illustrate the administrative gaps between Department of Education and local education authorities, and between local authorities and individual schools.

The Education Department's stated policy for the past five years has been that children should be taught both the metric system and the elements of the Imperial system still in common use.

The Department, however, has little effective power over what is actually taught. Teachers, especially in secondary schools, are more influenced by the nationally recognised school-leaving examinations, which have mostly ceased to test knowledge of even everyday Imperial measures.

Many schools have reacted by "going metric" and abandoning the alternative system altogether.

The consequent problems of employers and would-be workers are unlikely to be eased by the ending of the State drive for metrication.

The best hope of a remedy lies in the investigation of mathematics teaching by the Cockcroft Committee which, however, is not expected to make its recommendations to the Government until late next year.

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COMPETITION ON FERRY ROUTES

Cut-price Channel crossings

BY LYNTON McLAIN

CROSS-CHANNEL ferry companies will have to re-think their pricing policy for next year after the declaration of a price-war by Sealink UK, the British Rail ferry company.

Most of the companies have recognised for some time that a farea free-for-all was inevitable. But none, until now has had the courage or the financial strengtb to lead the way.

The Cbannel has reputation of being the most expensive stretch of water to cross in the world. Attempts have been made to introduce more competitive pricing, porticularly in the off-peak winter season. But the market on the short routes—from Dover and Folkestone to Calais and Boulogne—has long needed more aggressive policies on fares.

The market for cars and passengers suffers from excess capacity, but demand, particularly for cars, is almost static. At the same time, the conventional ferries bave started to feel the competition from the increasingly reliable giant hovercraft, operated by Seaspeed, a sister company of Sealink, also owned by Britisb Rail.

Sealink UK, has been affected by these developments just as much as European Ferries, through its Townsend Thorensen offshoot and P & O Normandy Ferries, its two rivals on the short routes.

But Sealink UK's move to greater competition is also a reaction against its relationsbip with European Ferries. Both companies have had a joint pooling arrangement, for sailings and revenue for 14 years on the Dover-Calais route. Sealink has two-thirds of the sailinga and revenue from the pool and European Ferries the balance.

The cartel was investigated by the Monopolies Commission in April 1974, in a report on cross-Cbannel car ferry aervices. The commission said: "the monopoly positions of British Rail and European Ferries do not operate against the public interest."

However, the report also said it was only the involvement of French Railways—as joint operator of Sealink services—in the agreement that stopped the commission recommending that the pooling should stop.

Now Sealink UK believes the pooling arrangement has blunted its competitive edge on the sbort crossings. Mr. Derek Roberts, Sealink's UK's chief traffic manager for the services, said yesterday European Ferries had "resisted change" and had not shown a "ready acceptance of the need for more aggressive pricing policies."

Normandy Ferries is expected to be the main target of Sealink UK's new aggressive pricing policy. Mr. Roberts said yesterday that it was Sealink UK's intention "to become the John Lewis of the Channel and would never be knowingly undersold."

Sealink will attempt to start nndercutting Normandy Ferries' fares oo October 1. Tbe fare for a car and two adults ona Sealink ferry will fall £10 to £50.40 for a five-day stay return fare. More fare cuts will follow.

At the centre of Sealink UK's fare strategy is a plan to increase the number of family and business cars which use the Channel ferries. At the moment only 4 per cent of Britain's 15m cars use the ferries to the Continent each year. Sealink wants to raise this to 5 per cent.

The plan would raise the number of cars using the ferries by a quarter. Sealink expects this growth to have been achieved by the end of next year.

Last year, Sealink carried 412,000 cars, 34 per cent of the 1.2m cars which were ferried acrosa the Channel. The target under the proposed cut-price fares regime is at least half the total market by 1982.

The total number of cars and passengers expected to be carried over the Channel next year is not expected to differ greatly from last year's total.

European Ferries is to introduce three new passenger and car ferries next year. P. and O. Normandy Ferries will add a third ferry to its Dover/Boulogne route and Sealink UK has two ferries under construction at Harland and Wolff's Belfast yard, both of which are expected to enter service next year.

These vessels will add to capacity in a market which is not expected to grow greatly at a time when the pressure for cut-price fares is greater than ever before.

The full fury of the price-war Sealink UK bas unleashed in the Cbannel ferry market is certain to hurt the less resiliant competitors. Sealink UK made a £12.1m trading profit in the last financial year ending in December on a £141.9m turnover. Its projection for this year is "a little better."

The price-war is also likely to sink once and for all the reputation of the English Cbannel as the dearest stretch of water. But with the Channel's reputation may also go the status of some established names of the ferry business, at a time when ferry managements will be hard pressed to compete against low-price competitors and against bovercraft, which are winning a growing portion of the traffic.

A Sealink ferry sails towards Calais.

Stevas campaign spending to be probed

BY ELINOR GOODMAN

THE DIRECTOR of Public Prosecutions has asked the police to investigate a complaint that Mr. Norman St. John Stevas, Leader of the House, infringed regulations by spending too much on his General Election campaign.

The complaint was lodged on behalf of the Liberal candidate for Chelmsford, Mr. Stewart Mole, who claims that Mr. St. John Stevas spent £1,000 more than he should have done during the campaign.

The allegation followed a series of bitter exchanges between the Tory and Liberal agents at Chelmsford.

Practice

The DPP has already asked the police to examine various aspects of Mr. Mole's own campaign to see if his campaign literature complied with the regulations.

The Department of Public Prosecutions said yesterday that since the director has no machinery of his own to investigate complaints, it was the practice to ask the police to establish whether allegations about over-spending had any substance.

The department confirmed that the police had been asked to make inquiries about the handling of Mr. Mole's and St. John Stevas' campaigns.

Early in the campaign, Mr. St. John Stevas seemed to regard Mr. Mole as a quite serious challenger in Chelmsford. In the event Mr. St. John Stevas had a maority of over 5,000.

Since the election, both candidates have filed their expenses, but Mr. Mole's agent has alleged that the figures submitted by his Conservative counterpart do not reflect the true level of spending.

THE LIBERALS AT MARGATE

Troops pullout from Ulster call rejected

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AN ATTEMPT to commit the Liberal Party to a policy of fixing a date for the withdrawal of British troops from Northern Ireland and their replacement by a UN peace-keeping force was defeated by a large majority at the party's Assembly yesterday.

The only Liberal MP to speak out categorically in favour of the proposal was Mr. Cyril Smith, who called for a united Ireland governed on a federal basis, and said it was essential to get a new initiative in Ulster.

He did, however, receive qualified support from Mr. David Alton, MP for Liverpool Edge Hill, who said he did not believe a military solution was possible in the province and emphasised that the time must come when British troops will have to be pulled out.

The defeat of the controversial troops out amendment — by a majority of about two to one — came as a great relief to the party leadership.

They feared that had it been carried it would have damaged the party's prospects of electoral recovery and would have made the Liberals appear irresponsible.

The two-hour debate—which which was a sober and restrained affair — demonstrated the divisions which existwithin the party on Northern Ireland.

Responsibility

Mr. Stephen Ross, MP for the Isle of Wight and the Liberal spokesman on Ulster, warned that if the amendment was approved it would be "utterly disastrous."

He said it would run contrary to every undertaking successive governments have given to the province. "I don't believe the Liberals can possibly be a party to that."

Mr. Alan Beith, Liberal chief whip, declared: "We have responsibility and we cannot shed it. Don't do it. There are very few of us in the Parliamentary party who could possibly support it and I urge you not to."

Mr. Richard Moore, a leading member of the party, outspokenly declared that it was deplorable of Mr. Smith to have supported the amendment which was nothing more than an easy, "clond cuckooland" option.

By a large majority delegates approved the main resolution which called for the setting up of an advisory council for Northern Ireland to be elected by proportional representation.

Another amendment calling for the unity of the Irish people within the EEC was rejected. A demand for the repeal of the emergency powers in the province was also defeated.

Mr. Smith, who received considerable applause for his views, made a bitter attack on Mr. Enoch Powell, Ulster Unionist MP for Down South. He said that Mr. Powell, some of his colleagues and the people for whom they were standard-bearers, bore more responsibility for the atrocities in Northern Ireland than the prayers of the Archbishop of Canterbury or anyone else.

"Mr. Powell is a purveyor of hatred and he and his mates are an affroot to Christianity and all that it stands for."

Neutral

Having announced its determination to move towards that objective, the Government should withdraw British troops. He did not advocate pulling them out next week. But he did advocate a firm determination to withdraw in order to achieve a settlement. A date should be given for an orderly movement towards union.

"Until it is clear that we are so determined, a political solution will not be found," he said.

The amendment proposing the fixing of a date for the replacement of British troops by a UN peace-keeping force was moved by Mr. Rowland Morgan, Parliamentary candidate for Weston-super-Mare.

"It is not the presence of troops that causes the violence and bloody reactions but the fact that they are British," he argued. "A peace-keeping force thta is neither British nor Irish would be seen by all sections of the community to be performing a neutral role."

Moving the main motion, Mr. James Murray, Secretary of the Ulster Liberal Party, warned delegates to weigh their words carefully.

Any apparent weakening in the resolve of a significant political group in Britain to beat terrorism could be interpreted as a sign that the terrorists were winning.

People were asking what the solution was to the Ulster problem. But, said Mr. Murray, the only honest answer was that there aws not one.

Roger Taylor

Mr. James Murray: No answer to Ulster problems.

Heseltine 'allowing mutilation' of local government

By John Hunt

AN ATTACK on Mr. Michael Heseltine, the Environment Secretary, for "utter social irresponsibility" was launched by Mr. David Alton, MP for Liverpool Edge Hill.

He claimed that Mr. Heseltine was standing by and doing nothing as local government was mutilated and as housing, education and social services were dismantled.

"They are undermining local government by withdrawing funds," he declared.

Mr. Alton promised delegates that the Government's Housing Bill on the sale of council houses would be fought "tooth and nail" in the Commons.

He was speaking in a debate on local government autonomy which showed up considerable differences of opinion in the Liberal ranks on the subject of comprehensive education.

The debate ended with the conference decisively rejecting the Government policy of removing the compulsion on local authorities to introduce comprehensive education schemes. The motion, which welcomed the action of the Government in removing compulsion, was referred back.

Freedom

The resolution, moved by Mr. Philip Goldenberg, Parliamentary candidate for Eton and Slough, primarily dealt with the need for maximum freedom of action for local authorities. But, while agreeing with this aim, many delegates objected to the section endorsing the Government action on comprehensives.

Another paragraph, attacking the Government for forcing local authorities to sell council houses, received wide backing from speakers.

Mr. Alton told the conference: "If you trust in the people you can't go far wrong. This is a motion about local democracy. Do not let them take power away from local councils. We must always fight every attempt to take power away from the people."

Mr. Goldenberg insisted that the motion was not about selling council houses or about the desirability of comprehensive education. It was a debate on the Liberal principle that decisions should be taken at the level closest to the people.

There was virtually no decision taken by Government ministries which would not be better and more cheaply taken at the regional, district or parish level. He supported the principle of comprehensive education and so did the party as a whole.

Nevertheless, he thought it was painful but right of the Government to repeal compulsion on local authorities to go comprehensive.

"We seek a Liberal society and compulsion from the top is anatbema to that ideal."

Opposing the motion, Mr. Chris Caswell, Parliamentary candidate for Sutton, said the Tories were resisting the whole principle of comprehensive education and were playing political football with educatinnal needs. It was, he said, a rather silly resolution.

Committed

"We must be committed to the principle of equality of opportunity in education. If we abdicate responsibility on a natiooal level to require the introduction of tbat principle in all our scbools then we abdicate reaponsibility as a great campaigning party."

Mr. David Evans, speaking for the resolution, said great damage had been done by the rigid, narrow outlook of compulaion on local authorities. At the ment local councils could not even put in traffic lights or zehra crossings without tbe permission of the Ministry of Transport.

Mr. Bernard Wates, a former deputy director of education for Westmorland, argued that it was naive to say the debate was about local autonomy and not about comprehensive education. The issue of education was far too important to leave to local decision.

New curbs sought on use of asbestos

By Sue Cameron, Chemicals Correspondent

TIGHTER regulations to cut the risk of brown and white asbestos causing cancer are being considered by tbe Health and Safety Commission.

The measures are proposed in a report by the commission's advisory committee on asbestos. Tbey are believed to be based on medical evidence that the risk of cancer associated with the materials is greater than was previously thought.

The report calls for the control limits on exposure to brown asbestos—amosite—to be cut from the present one fibre per millilitre of air to 0.5 fibres/millilitre. It wants the limit on white asbestos—chrysotile—to be reduced from two fibres per millilitre to one fibre.

Asbestos, wbicb is resistant to fire and has great durability, bas many applications, particularly when used by the building industry.

Controls on exposure to asbestos dust have been in force since 1970 when industry imposed a voluntary ban on the import of raw blue asbestos—crocidolite—which is thought to present the greatest bealth risk of all three types.

The committee's report, which will go to the Health and Safety Executive, calls for the new control limits on exposure to he introduced by the beginning of December next year. But the executive is understood to be worried that industry will resist attempts to tighten existing regulations.

Promotion bottleneck 'threat to British science'

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

BRITAIN'S SCIENTIFIC effort is threatened by the overcrowding of universities and research institutes by younger staff, according to a Government report.

The unpublished report to the Advisory Board for the Research Councils suggests private industry should be asked to help relieve the promotion blockage. Companies could help bring innovative young scientists to notice from among less hrilliant colleagues.

In universities, people aged 40 and under make up 60 per cent of academic staff, outnumbering by four to one the dons wbo are due to retire in the next 10 years.

University authorities are attempting to ease the block by encouraging early retirement. Unproductive older staff cannot be forced out, however, because roughly 95 per cent of dons have a contractual right to life tenure of their johs. An Act of Parliament would be needed to remove this.

Surveys

Similar hlockages threaten many specialised research institutes.

Surveys by the councils for agricultural, scientific, and environmental research last year all showed that more than half the main-line scientific staff were under 40—56 per cent in agriculture, 57 per cent in science, and 71 per ceot in environmental work.

Nearly half the Civil Service's sclenre group saff is under 40, and about 55 per cent are less than 45.

Unless more opportunities for young scientists are provided by such means as projects, perhaps of limited duration, in industry, the Government report says, the blockages probably "cannot be solved over the next 15-20 years."

Dr. Coggan praises servicemen in Ulster

Dr. Donald Coggan, the Arcbbishop of Canterbury, wbo was attacked by Mr. Enocb Powell on Wednesday night for "encouraging" the IRA, yesterday spoke of his admiration for servicemen and policemen in Ulster.

He said at a London lunch that on his visits to Northern Ireland he had sought to bring encouragement to the men engaged in the difficult task of keeping law and order. They were fulfilling their task "with bravery and persistence."

Dr. Coggan said that the Church of England and the British Council of Churches, of whicb be is president, joined in the joy of tbeir Roman Catholic friends in Irelaod at receiving the Pope as their guest this weekend.

"We ahall in a very special way unite our prayers with theirs in seeking peace and reconciliation in Northern Ireland and commit ourselves anew to work for a solution to its problems."

In a speech in bis South Down constituency last night, Mr. Powell alleged that in his sermon at the funeral of members of Lord Mountbatten's family, Dr. Coggan had said the union of Great Britain and Northern Ireland must be "exterminated."

Workers given second chance to accept deal to save factory

BY RAY PERMAN, SCOTTISH CORRESPONDENT

WORKERS AT Lawson's of Dyce, the Aberdeen pork products factory which is threatened with closure are being given a second chance to accept a £2.5m deal. The 600 employees will be balloted on the issue.

Last week workers rejected an offer of a 12 per cent pay increase conditional on several changes in working practice. It came from Northeastern Farmers and the Scottish Development Agency, who jointly want to take over the factory.

But nnions have now been told by Mr. George Morley, managing director designate of the new company which would run the factory, that the pay and conditions offer must be accepted ss it stands if the rescue is to go ahead.

Shop stewards at the factory derided they would recommend acceptance and a ballot of employees is to be bcld. The results sbould be known on Friday.

Unilever, which owns Lawson's, has said it will close the factory if a buyer cannot be found.

Ulster faces second big fibre industry cutback in month

BY RHYS DAVID, TEXTILES CORRESPONDENT

ICI FIBRES is to stop production of polyester flat yarn at Kilroot in Northern Ireland. It will be the second big fibre industry cutback in the province this month.

The ICI cuts will be phased in during the second half of next year. They are being blamed on a combination of technical and marketing factors, including the surge in U.S. imports of polyester yarn into the Britisb market.

Similar reasons were given by Courtaulds earlier tbis month for cuts at Carrickfergus, Larne and Maydown in Northern Ireland. A total of 650 jobs will be lost at these plants again as a result of reductions in polyester filament output.

In a statement yesterday ICI pointed to substantial over-capacity in polyester filament—used in men's and women's knltted and woven outerwear—since the mid-1970s. Prices bad as a result been depressed and it had proved impossible to recoup bigher oil raw material costs.

Neither ICI nor Courtaulds is redncing lta total output of polyester filament as a result of the Ulster cutbacks. Production will be increased at other more modern plants wbere new equipment has been installed.

ICI is pbasing out its Northern Ireland production to coincide with an increase in output at Pontypool, Gwent, wbere polyester facilities are being added alongside existing nylnn plant.

Courtaulds has been introducing more modern polyester facilities at Letterkenny in the Irish Republic. This was planned in the early 1970s when continued rapid growth in the market was expected.

ICI said yesterday that the technological resources needed to run the new polyester plant already existed in Pontypool and it would be too expensive to dnplicate them

Guide assesses inflation effects

A PRACTICAL guide for businessmen on the mnture effects of inflation is included in a Financial Times management report by Professor Jack Revell which is published today. It says that all rules of thumb which had been applied under stable conditions have ceased to be valid.

The report Inflation and Financial Institutions, assesses inflation's likely impact on banks, savings banks, building societies, life assurance, pension funds and general insurance. It costs £50, including postage.

EEC directive on accountancy 'too inflexible'

By Richard Evans, Lobby Editor

CONSIDERABLE reservations on the European Community directive on the qualifications of company auditors are expressed by a House of Lords select committee in a report published today.

The Lords European Communities Committee strongly supports the principles of the draft directive publisbed in April, 1978, but argues that in its present form it could seriously affect the UK accoountancy profession.

The directive aims simply to harmonise equivalent minimum qnalifications and will not automatically lead to the mutual recognition of degrees or to general freedom of access to jobs within the EEC.

But the committee believes it is important that educational standards and professional obligations should not be imposed by rigid legal rules.

The committee urges that developments in accountancy practice and education ahould be kept under review and that some flexibility should be allowed in the application of the directive's provisions.

Twelfth report from the House of Lords European Communities Committee; 1979-80. Stationery Office, £2.

Greater stress on community politics

BY IVOR OWEN

A NATIONWIDE breakthrough at local government level is to be the primary electoral target of the Liberal Party over the next three years.

The Assembly set this objective after agonising over the danger that still greater emphasis on community politics could imperil the achievemeot of the wider national appeal needed to bring about the long awaited Liberal revival at the next general election.

Fears that undue concentration on securing tbe repair of cracked pavements would prevent Liberals lifting their eyes to broader borizons were swept aside by Mr. Cyril Smith, MP for Rochdale, in a speech which dominated a debate on party strategy.

With an optimism which matched the mood of most of the delegates he looked forward to the number of Liberals serving on local councils being increased by 100 next year, and to 500 Liberal county councillors taking office after the eleclona due in 1981.

Mr. Smith declared: "This party bas got to get off its backside. We bave got to get out and work now.

"Tbe rock, tbe firm foundation of any government, is local government, and the real foundation of any good political party is to be found not in its MPs but in its grassroot workers and its councillors."

A warning from Lord Wade, an establishment veteran who sat in the Commons for 14 years as MP for Huddersfield West, that the change in strategy might result in not enougb attention being paid to the opportunities which might arise through Parliamentary by-elections, made little impact.

Mr. Smith insisted: "Community politics is not an alternative to party success nationally—it is the forerunner to it."

Mr. David Penhaligon, MP for Truro, scoffed at suggestions that greater priority sbould be accorded to the formulation of national policies.

Mr. Penbaligon reaffirmed tbat his main aim remained that of securing basic changes in the system of British politics so that people were listened to and effect given to their views.

"What I want to challenge most of all is the slick London-based professional—and no one has ever accused me of being that."

Tbe new party strategy—embodied in a Young Liberal-inspired resolution—was overwhelmingly approved.

Labour 'must win battle of ideas'

BY RICHARD EVANS, LOBBY EDITOR

THE LABOUR PARTY, while in opposition, must create a new climate of opinion favourable to democratic socialism and ensure tbat it wins the battle of ideas at the next General Election, says the author of a Fabian tract published today.

Mr. Giles Radice, MP for Cbester-le-Street, argues that in industry the tripartite system should be strengthened by extending planning agreements and introducing an effective system of industrial democracy.

He stresses the importance of community—the feeling that comes from common activities and values—and the support of small-scale organisations to which people give their primary loyalty.

Mr. Radice, a leading member of the Manifesto group of moderates, argues tbat Tory monetary and fiscal controls are not sufficient, and a permanent prices and incomes policy is needed to control inflation. Democratic consent should be obtained by putting the pay proposals to a ballor of all union members.

He suggests top rates of pay for management should be about seven or eight times average earnings before tax, in order to prevent too wide a gap, but be is firmly against a large extension of nationalisation.

The weakness of British industry is related more to ineffective use of resources aod to poor design and marketing of products, by public and private industry, than to the ownersbip of companies, says Mr. Radice.

Emphasising on the search for co-operation and consensua, be says the Government should seek a social cootract with industry similar to the one achieved by tha Labour government.

Under this, companies would disclose information and plans to the Government, in return for promises of stable economic policies, inclnding a realistic exebange rate and a reasonable return on investment.

But if the search for a new social contract failed, then legislation should be introduced. Mr. Radice does not disniss the use of import controls, provided companies were monitored to ensure they were using the breathing space acquired to become more competitive.

Community Socialism by Giles Radice; Fabian Society; 65p.

Radical change urged on CAP

By Ivor Owen

RENEWED demands were made for a fundmental re-examination of the EEC's Common Agricultural Policy.

Mr. Geraint Howells, MP for Cardigan and rhe party's spokesman on agriculture, warned that unless radical changes were made sooo the CAP was likely to disintegrate.

Emphasising that in 1980 Britaio would be paying more than £1bn into the EEC than sbe received from it, be declared: "It cannot go on. We eannot afford it."

A resolution embodying a report by the party's commission on agriculture was approved.

THE PROPERTY MARKET BY MICHAEL CASSELL

Second big South Bank inquiry

EUROPEAN FERRIES has moved to cut short what was developing into another long planning wrangle involving Lambeth Council in South London.

The group, which this week reported a £2.68m (£1.87m) first-half surplus for its financial and services division, has successfully called for a public inquiry into it own proposals for e £35m mixed development on the South Bank of the Thames beside Vauxhall Bridge.

Lambeth, not known for its love of commercial developments or developers, remains embroiled in the Coin Street planning inquiry marathon further along the river and has been equally reluctant to give European Ferries approval for the group's own, more modest plans.

The group bought the site from Land Securities by tender for £400,000 in February 1977. Mr. Keith Wickenden, chairman of European Ferries, made the winning bid for the site, which was being sold by Land Sits ss part of a clearance programme of land without planning permission.

When the group took possession, planning powers for the site rested with the Greater London Council but these were transferred to Lambeth, which then objected to the plans.

The scheme will comprise a 20-storey office tower providiog 370,000 sq ft (gross), a development of riverview spartments, shops and a sports complex.

Mr. Wickenden has no reservations about the sttractioos of e development in ao area popularly regarded as a wasteland. "We've got three tenaots lined up already for the office spece, ooe of which even wants the flats as well," he said.

"Lambeth has not said it objects to the scheme io principle but has claimed, for instance, that the tower is too tall. This sort of criticism is hard to leke wheo you realise there is already a similar tower a sbort distance away.

"The irony is that, along the road at the Coin Street inquiry, our proposals have actually beeo quoted by the council as the type of developmeot which the South Bank needs. We shall ensure our own inspector does not miss the point."

The council's attitude towards the plan may have been mellowing but European Ferries bas decided the quickest possible route is not by further negotiation but by an outright statement of its case to a bigber authority.

The inquiry is to be held io November and Mr. Wickenden hopes that work on the site cen begin in late spring 1980, if the decision goes his way.

Sir Horace's U.S. view of Dockland

SIR HORACE CUTLER, globe-trotting leader of the Greater London Council, this week returned from the U.S. with some new ideas on the development of Docklands.

Sir Horace, on a study tour to see how the Americans tackle the problem of inner city development, says the problems on the other side of the Atlantic are basically the same and the approach to solving them is in some respects similar. The main differences, he reckons, lie in the mechanisms used and in financing tactics adopted.

Next week Sir Horace will make his report to the council end it would be surprising if many of his conclusions do not help formulate his strategy towards Docklands development.

He says a major difference in the U.S. is the lack of any attempt by government to persuade industry sway from esteblished centres.

"The emphasis is eoabling individual states, such as New York, to establish agencies and make state taxatioo srrangements which will help existing business and industry to stay in town and give seed-bed support to new and developing industry and employment in the areas where the people are," he said.

"Whatever the federal, state or city aid made available, its principal purpose is to lever funding out of the privste investor by reducing his own risk," he added.

Turning his eye back to Docklsnds, Sir Horace claims that national funding must be evailable to share the risks snd to sttract the private sector funding required. Once made evsilable, the local authorities concerned, and any other ageocies given responsibility, must have maximum fredom in use of the finance.

"Next, there must be realism in relstion to the value of land and, if generous taxation concessions are not available, peppercorn rents and similar devices must be used readily rather than spariogly."

In an optimistic call for wholehearted co-operation, Sir Horace said: "It is elso vital that all the public orgenisations concerned should work together positively.

"Firm control and direction will then need to be in the hsnds not only of enterprising representatives of the private sector but also of indivlduels drawn from the local suthority field."

IN BRIEF

● Slough Estates has bought a 15-acre site in Hendon, north London, from Cadbury Schweppes. The group is to develop 240,000 sq ft of industrial warehouse spece in units from 4,600 sq ft to 30,000 sq ft. Some will be available from mid-1980. Clive Lewis acted for Slough and Strutt and Parker represented Cadbury Schweppes. It is Slough's first London industrial acquisition.

● The last floor of 80 Cannon Street—the distinctive City office building with what is described as "an external geodesic lattice steel frame" has been let. Eight floors are let or under offer at rents ranging from £13.30 to nearly £19 a sq ft. Among the tenants of the Trafalgar House building are the Korea First Bank and the National Bank of the Philippines. Hampton and Sons and Debenham Tewson and Chinnocks are joint letting agents.

● Hambro Life Assurance bas agreed to psy £2m for an office development under way in Station Road, New Barnet. The 24,000 sq ft scheme is being carried ont by Crouch Developments and has been let to Liberty Life Assurance. Knight Frank and Rutley advised Berkeley Hambro Property, which acts as fund manager for Hambro.

● British Rail Property Board is to build a £460,000 industrial estate on the site of a former coal depot in Vermont Street, Glasgow. The 1.5-acre development is due for completion next May.

Manchester rents upsurge depends on future of economy

THE LONG-AWAITED upsurge in Manchester office rents hinges on the impact the forthcoming economic recession may have on national and regional property values and rents.

After four years of struggling with over-capacity and sluggish rents the Manchester market looks potentially stronger than at any time since the last property boom.

The glut of empty offices left from that boom has been brought down to manageable levels and with no major speculative building planned for the city centre a shortage of space seems likely within two years.

This would suggest that rents are set to rise sharply—in line with the progress that has been made over the last six months in other provincial centres, Leeds in particular.

But there are fears that rental growth may be overtaken by the forthcoming economic recession.

Manchester, of all the major provincial centres, provides perhaps the best example of how sadly awry the property world went in the early 1970s.

Then, with confidence seemingly limitless, the city and outlying areas embarked on a major office building programme—so that between 1970 and the beginning of this year 3.4m sq ft of new offices was built in Greater Manchester.

There is still 600,000 sq ft of new office space available in the city centre, compared with an annual average take-up over the past few years of about 300,000 sq ft.

However, 150,000 to 200,000 sq ft of this remaining city centre space could still go in the remaining few months of this year—judging by a number of deals in the pipeline.

The biggest of these concerns Town and City's massive Arndale shop and office complex, where ICL is considering taking 100,000 of the 350,000 sq ft of offices still available—the bulk has been on the market for two years.

The decision earlier this year by accountants Ernst Whinney to take about 15,000 sq ft in National Westminster's Lowry House development—which had remained largely empty since completion 18 months ago—was regarded as an important turning point for Manchester's office market.

But rental growth over the past two years has remained sluggish because of the huge backlog of empty space.

Top rents for the most popular units of about 5,000 sq ft still average between £3.50 and £3.75 a sq ft—compared with £5 a sq ft recently achieved in Leeds, the most comparable rival regional centre. Like Manchester, it is ideally situated on major motorway links.

But agents Bernard Thorpe see no reason—barring ill effects from the forthcoming economic recession—why Manchester rents should not catch up on the levels achieved in Leeds.

Perhaps the best guide to future rents is the long-term view taken by Manchester City Council, which has agreed to pay £4.95 a square foot for the whole of Heron Corporation's 126,000-square-ft Albert Square development, due for completion in 1981.

Surprisingly, the large surplus of offices left after the property crash has proved quicker to clear in some of the outlying towns to the south of the city centre like Stockport, Wilmslow and Altrincham.

This partly reflects their pleasant environment and proximity to motorways but also the difficult parking problems in Manchester.

The situation has led to an almost absurd situation for a major city: office rents in nearby Wilmslow, currently at about £4.50 a square foot, are considerably higher than those in the city centre. And rents in Altrincham and Stockport are either on a par with or not far behind city centre rents.

Andrew Taylor

هكذا من الأصل

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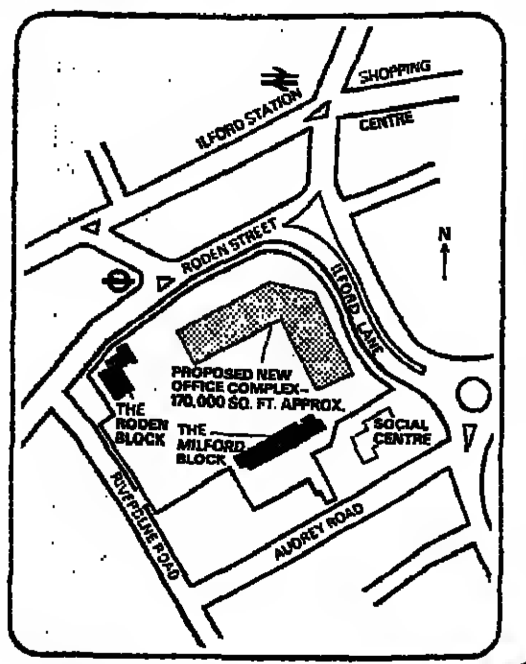

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UK NEWS—LABOUR

Reject ITV offer, key technicians are told

BY GARETH GRIFFITHS

THE ASSOCIATION of Cinematograph Television and Allied Technicians' negotiating committee last night advised its 6,000 members in independent television to vote against the companies' latest offer.

Mr. Alan Sapper, the union's general secretary, said the offer in no way met the union's demand for a substantial pay increase to offset the erosion of members' living standards in the past five years. The companies' formula for cost-of-living payments meant that members would be worse off in two years when the deal ran out, he said.

Mr. Ronald Carrington, labour relations adviser to the Independent Television Companies' Association, puts the value of the two-year offer at about 37½ per cent.

Some indication of the mood of the union's members will be given tomorrow when its London Weekend branch meets to consider the offer. Union officials last night expected the membership to endorse their stand.

A previous offer, worth 35 per cent, according to the companies, was rejected by the union's television branch on Monday by 84 votes to two.

Results

The results of the voting should be known by the end of next week. The ITV companies have seen the ACTT as the main union to be won over during the dispute, which has blacked out screens for seven weeks.

Mr. Jack Wilson, general secretary of the National Association of Theatrical, Television and Kine Employees, has sent out letters to his ITV members outlining the terms of the offer, with no recommendation. He also expects a result by the end of next week and predicted that if the unions' results were all favourable ITV would be back on the air by October 4.

The latest offer is 15 per cent backdated to July 1, with a cost of living allowance (maximum 5 per cent) next January, and 10 per cent in July, 1980 with a further cost of living increase (maximum 6 per cent) in January, 1981. The payments would all be consolidated.

Reception warms for bank staff proposal

By Nick Garnett, Labour Staff

THE STAFF association at the National Westminster Bank said yesterday that the second Johnston report on formation of a staff representation structure for the English clearing banks appeared more acceptable than previous proposals. There were still considerable outstanding obstacles.

The association, which many bank and union officials have felt the most uncompromising on some issues, is particularly pleased with the second report's emphasis on domestic bodies for carrying out certain functions under any new structure.

It is happy with the recommendation from Dr. Tom Johnston, chairman of the Scottish Manpower Services Committee, that geographic structuring should be instituted only if it was felt necessary once the new structure was operating.

A geographic basis is a feature of the organisation Banking, Insurance and Finance Union, which with three bank staff associations is involved in the talks. It tends to cut across the principle of domestic autonomy for staff bodies in the separate banks, a principle supported by the staff associations.

Mr. Bob Carthy, general secretary of the National Westminster association, said proposals involving the umbrella body's TUC affiliation, included in the Johnston proposals, would not necessarily prevent the staff association's executive recommending acceptance of those proposals to its members.

A ballot earlier this year showed considerable opposition to TUC affiliation.

The difficulty for the National Westminster staff association still hinges on domestic autonomy, and Mr. Carthy again emphasised that he wanted separate certificates of independence for the domestic units as well as for the Clearing Bank Union and the umbrella body.

Domestic antonomy has been one of the principal stumbling blocks, and a prime reason for pessimism by some bank and union officials about the talks' outcome.

The staff associations at Barclays and Lloyds, while taking a similar position to that at National Westminster, have been more optimistic.

The three associations and the Banking, Insurance and Finance Union are due to resume talks next week.

Union seeks shipyard pledge

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SHOP STEWARDS at Robb Caledon, Dundee, said yesterday that they will demand an assurance that shipbuilding is retained in the city as the price for ending industrial action that has trapped four vessels in the yard.

Robb Caledon is the only UK yard still banning overtime and launches. Workers have rejected British Shipbuilders' proposal that shipbuilding should end and the yard be put on a care-and-maintenance basis with a view to seeking work for the the offshore oil industry.

Three bulk carries for Poland and a New Zealand cement carrier are being held at Dundee.

Yesterday the negotiating committee of the Confederation of Shipbuilding and Engineering Unions met the shop stewards and agreed to approach British Shipbuilders again to put new proposals for keeping the yard open.

The proposals are to be put to a meeting of all the 1,100 workforce. Mr. Bob Barty, convener, said that a minimum condition would be the retention of shipbuilding at Dundee.

Stewards' anger

The shop stewards have been angered by the yard management's decision not to continue with a tender for an £11m emergency support vessel for BP's Magnus field. Preliminary designs, prepared at the yard, have been sent on to Smith's Dock, Middlesbrough.

Mr. Barty said that the stewards would not accept "care and maintenance," which was merely another name for closure. Nor would they discuss a reduction in the size of the work force.

"We do not talk of redundancy here, either voluntary or any other kind. It is dirty a word," he said.

Mr. John Chalmers, chairman of the Confederation's shipbuilding committee, told the stewards that to continue their industrial action would weaken their case to keep Robb Caledon open. But Mr. Ken Baker, confederation president, said no pressure had been put on the shop stewards to lift the action.

Times peace may be reached 'in a week'

By Alan Pike, Labour Correspondent

HOPE that all outstanding negotiations which are preventing republication at Times Newspapers will be completed by the end of next week was expressed by Mr. Owen O'Brien, general secretary of the National Society of Operative Printers, Graphical and Media Personnel, yesterday.

Some chapels (office branches) of Mr. O'Brien's union are the only groups that have yet to reach agreement with the company.

Houses of an agreement in one of the most difficult outstanding areas—with the Sunday Times NATSOPA clerical chapel—have improved as a result of negotiations this week.

Talks are continuing with several other NATSOPA chapels.

Hospital 'sit-ins' planned to baulk closure moves

BY GARETH GRIFFITHS, LABOUR STAFF

with closure because of public spending cuts might be occupied by their staff, the 215,000-strong Confederation of Health Service Employees, the largest union of National Health Service staff warned yesterday.

Mr. Albert Spanswick, the union's general secretary, said the occupations might happen in areas where closures were contemplated and might involve several hospitals throughout the country.

"When there is evidence that any health authority is contemplating the closure of a hospital, which is not in the interest of the public and which would adversely affect health care in that area and our members' jobs would be at risk, we will consider occupying that hospital," he said.

Mr. Spanswick, chairman of the TUC's health services committee, said that his union had the support of other NHS unions in organising a campaign of occupations.

It might start within a fortnight with the St. John's Hospital at Blackheath, scheduled for closure by the health commissioners running the Lambeth, Southwark and Lewisham area health authority.

COHSE emphasises that the occupations would be made to protect the public and patients from cuts that would mean increased suffering.

The national executive committee decided yesterday to give financial support to the campaign. That accords with the union's conference decision in June to resist "with all its might" any cutting of its members' jobs.

New 17% offer to be put to gas staff

By Our Labour Correspondent

AN IMPROVED pay offer worth 17-18 per cent on the wage bill will be considered by representatives of 45,000 gas industry white-collar staff next week.

The offer was reached after 12 hours of negotiations that ended early yesterday between British Gas and the National and Local Government Officers' Association (NALGO). It comprises 14-15 per cent on rates, which include consolidated productivity payments backdated to July, followed by a further 3 per cent in January.

NALGO said yesterday that it was receiving indications of solid support for a one-day strike on Monday by its 45 university branches. The strike is part of a programme of action in support of a 24 per cent pay claim. The universities have offered 8.9 per cent.

Another 550 jobs in steel to be cut

FINANCIAL TIMES REPORTER

BRITISH STEEL CORPORATION disclosed yesterday that 550 jobs are to be lost in Derbyshire, as Vickers Group announce a decision to close its heavy engineering plant at Scotswood, Newcastle-upon-Tyne, after a year of union campaigning to keep it open, during which 700 posts have vanished.

Newcastle and Tyne and Wear Councils, which contributed £5,000 each to a fund to keep the Vickers plant open, are still trying to interest industrialists in taking over the factory. They have stipulated that the site must be used for industry.

The British Steel cuts affect the Stanton and Staveley group at Stanton, near Ilkeston.

Full-time trade union officers called for a prompt meeting with management to protest against the decision.

Stanton and Staveley says that the cut in spending by the gas and water industries and the strength of the pound overseas have contributed to a deterioration in busines.

Retirement

Mr. Don Newton, Midland regional officer of the white-collar union MATSA, said that the unions would fight to protect the interests of their members at the works. Management, staff and manual-grade posts were being cut.

Altogether 330 manual workers will lose their jobs and 220 management and supervisory staff will go.

The group said that it expected that much of the proposed reduction in workers might be accomplished through early retirement and voluntary redundancy.

The group's other factories at Staveley, near Chesterfield, Holwell, near Melton Mowbray, and Addiwell in Scotland will not be directly affected by the job losses.

Mr. Newton gave a warning, however, that the results of public spending cuts will spread throughout the whole of the economy and create further extensive unemployment in future.

● The British Steel Corporation also announced plans yesterday to cut 400 of the 2,800 white-collar jobs at its Llanwern works in South Wales.

The Corporation wants the redundancies to take place by next March and is to open detailed talks with unions shortly. It hopes to achieve the cutback as far as possible by early retirement, redeployment and other voluntary means.

APPOINTMENTS

Board members at Allied Breweries (UK)

Three group executives of ALLIED BREWERIES have joined the Board of ALLIED BREWERIES (UK). They are Mr. Harvey Allen, sales director national brands; Mr. Bernard Frost, managing director of Tetley Walker; and Mr. Tony Warde-Norbury, managing director of Joshua Tetley and Son.

*

The following appointments have been made to the Board of GRANADA TELEVISION: Mr. Robert Carr, a director of Granada Group who is to become deputy chairman of the Group on October 1, rejoins the Board on which he served from 1967-70; Mr. Michael Scott, deputy programme controller since 1977, becomes a member of the Board on taking up his position as programme controller; Mr. Leslie Young, chairman of J. Bibby and Sons, joins the Board as a non-executive director.

*

Mr. Irvin Scott has been appointed manager of the new London branch of the EQUITABLE LIFE ASSURANCE SOCIETY being opened at 4 Harley Street, W.1., on October 1.

*

Mr. Austin Lowe, deputy chairman, Gibbons Brothers, has been elected chairman of the IRON AND STEEL PLANT CONTRACTORS' ASSOCIATION. Mr. T. M. Sneddon, director of finance, Davy International, Iron and Steel Metals Division, has become a vice-chairman of the Association.

*

Mr. Stuart Frost has been appointed regional service manager of EMERY AIR FREIGHT responsible for all service in the UK, Ireland and South Africa. Mr. Nick Townsend has become lead agent and also acting supervisor of the company's customer service department.

*

Mr. Chris Saunders has been appointed sales director of WATTS FLUID POWER, of Stroud, Gloucestershire.

*

Mr. Jim Leak, chief executive of HEATHROW FORWARDERS BOND, has resigned from the company to be a consultant in the industry. He is being retained by HFB to further certain special projects.

*

Mr. John G. Perks has been elected chairman of CONCENTRIC in succession to Mr. Denis F. Dodd who has retired from that position. Mr. Perks continues as chief executive.

*

Officers elected by the ASSOCIATION OF PENSIONER TRUSTEES are Mr. Geoffrey N. Pointon (chairman), Mr. Tor Green (secretary), and Mr. Brian Tatch (treasurer). Other appointments to the committee are Mr. John W. Selley, Mr. Norman D. Freethy, Mr. Max Lander, Mr. Fraser Low, Mr. Cyril J. Santhouse and Mr. Derek W. Thomas.

*

Mr. D. V. Davies is to join MICHAEL LAURIE AND PARTNERS as a consultant. Mr. Davies is retiring next month as assistant managing director and from the Board of Town and City Properties.

*

Mr. George J. Sella has been elected president of AMERICAN CYANAMID Company, which he joined in 1954.

*

Mr. Brian Cudby and Mr. Barry Fludgate have been appointed as directors of BIS SOFTWARE and Mr. Melvin Haskins has become an associate director.

*

LOVELL CONSTRUCTION GROUP has made the following appointments to Boards of companies in the group from October 1. At Lovell Homes Western, Mr. Peter Davis, chairman, Mr. Tony Williams, managing director, Mr. Bob Berry, technical director, Mr. Phil Green, surveying and finance director, and Mr. Ken Morgan, sales director: Lovell Developments, Mr. David Wilson, managing director: Lovell Housing, Mr. Nick Wealt, director, Lovell Plant Hire, Mr. Peter Aylett, director: Y J Lovell Group Services, Mr. Harry Smith, director: Farrow Construction, Mr. Vaughan West, director, while remaining a director of Farrow Northern.

*

Mr. R. M. Boughton has been appointed marketing director from October 1 at WESTON HYDRAULICS, a member of the Butterfield-Harvey Group. He succeeds Mr. P. Siddens, who has been appointed director of B-H Machinery, with particular attention to that company's new product developments and sales.

*

Mr. F. W. Buckley has been appointed chairman of BRITISH TAR PRODUCTS in place of the late Col. P. H. Lloyd.

*

Mr. Gordon Paterson, deputy general manager (finance) of GUADIAN ROYAL EXCHANGE ASSURANCE and Mr. Norman Shepherd, deputy general manager (investments) are to become general managers on October 1. As from January 1, 1980, Mr. Dennis Brennan, at present assistant general manager (overseas), will be made general manager (operations) and Mr. Derek Bryant, who is overseas fire manager, is to be assistant general manager (operations). These two appointments will follow the retirements of Mr. A. V. Caddick, senior general manager, and Mr. David Thomas, assistant general manager (overseas).

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● WELDING

Robots are taking the arduous jobs

LATEST OF the 16 robot welding units from ESAB installed in Britain, illustrated below, is up and working at Multistroke Handbrake Controls in Tewkesbury. It is being used, among other jobs, to weld handbrake levers and, on these, produces tight radius circular welds practically impossible to do in quick succession by any other method.

Success with this installation underlines the way in which these intelligent robot welders are catching on all round the world. Last year, ESAB delivered a total of 45 units and this year expects to install 65. The installed or on order book is now over the 120 mark with six believed to be earmarked for the U.S., though the marketing campaign there did not start till about five months ago.

There are a number of reasons why the idea is attracting so much more interest, one of which is that welding has traditionally been an area with a low degree of sophistication when it comes to mechanised and automatic equipment. Robotic arc welding fills the gap between expensive custom-built machines and more general partly mechanised equipment like semi-automatics combined with jigs and materials-handling units of various types.

Both these systems lack versatility and where the robot is competing with semi-automatics, there can be a production increase to about threefold, though figures of as much as a six to eight times increase in production have been achieved.

Where a choice has to be made between a robot and purpose-built equipment, the matter is more complicated. Custom-built units, by carrying a large number of welding torches, can achieve a very large increase in throughput. But they require a large number of workpieces to pay off. On the other hand, the robot welder carries only one torch and is slower. But it can follow practically any three-dimensional working path and the runs it will produce economically can be made much shorter since it will automatically handle several welding programmes.

That means mixed batches of components may be welded in each full cycle. Typically, economical production runs would lie between 1,000 and 6,000 pieces a year, depending on complexity. However, there are a number of users reporting economical operation with smaller batches.

ESAB has disclosed at the Weldex 79 Exhibition in Birmingham's NEC that, apart from the units in Britain, there are 27 in Sweden, 15 in West Germany and 11 in Holland, while nine machines are being used in subsidiaries or for research purposes and are not covered in the overall figures.

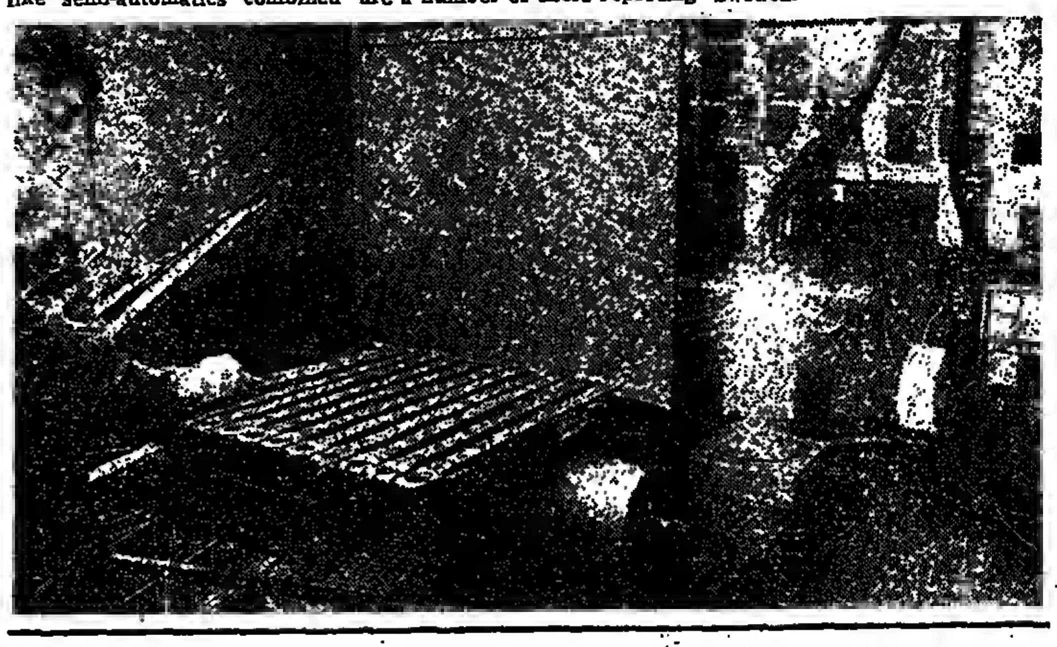
Many fabrication requirements are being covered, but in the list, the automotive industry and its sub-contractors lead; their shares being 25 and 20 per cent respectively. However, this is a recent development as this particular industry has reacted more slowly than anticipated. In the last six months, automotive offtake has totalled 19 units.

On over three-quarters of the installations so far, plate thickness handled is less than 4mm—the robots used can cope with loads of up to 150 kilos, or up to 500 kilos and there is a large variety of torches and three types of positioners to be chosen from.

While automotive is developing rapidly as a major customer, some 60 per cent of users belong to groups with less than 500 employees, and 23 per cent to companies of less than 100. Smallest of all, in Germany, has only eight staff.

Nevertheless, robot welding is still in its infancy and ESAB and ASEA (which supplies the robots) are working towards optimised equipment that will tackle any job. That there is a vast area to exploit comes from a study made at London University by Mr. P. O. Nordsjo, which indicates the market potential in Britain alone at 8,000 units.

Further information from ESAB at Beechings Way, Gillingham, Kent (0634 34455), or in Gothenburg, Fack S-40270, Sweden.



● MATERIALS

Agreement on conductive concrete

MARCONI HAS signed a contract whereby the Pitch Marketing Company of GR House, 134-138, Borough High Street, London SE1 1LB, a Simon Engineering subsidiary, is to manufacture and to market under licence the product Marconite. Marconi will provide the world-wide technical back-up that handling Marconite requires.

Marconite, developed by engineers of Marconi Communication Systems, is important in the field of electrical conductivity. Used in concrete construction work, in place of more normal aggregates, it produces grouts and concretes of normal compressive strength with a wide range of resistivity values. It thus offers the possibility of permanent earthing, protection from the hazards of static electrical charges, and micro-wave frequency screening.

Marconite has been available commercially for two years and such has been the interest generated in its unique properties that it has become necessary to handle its production and marketing through a suitable agency. Pitch Marketing is the agency chosen and a first large order, for 30 tonnes to provide a 600 square metres anti-static floor base, has already been received.

Marconite is a granulated electrically conductive aggregate which replaces normal concrete fine aggregates such as natural sand, permitting electrically conductive concretes to be designed by applying conventional concrete technology.

Compared to metals, the volume resistivity of conductive concrete is high and can range from 0.5ohm-cm or lower, for preformed sections cured under pressure, to 15ohms-cm for trowelled floor screeds.

Control of water/cement and aggregate/cement ratios has been minimised by packaging moisture-free Marconite in 25kg sacks which have a volume equivalent to 50kg (1cwt) of cement, thus permitting batching to be done by weight instead of volume.

The material is chemically inert at normal temperatures, and in particular, the sulphate and chloride contents are low, thus permitting it to be used with all conventional types of cement, proprietary resins, plasters and adhesives.

● DATA PROCESSING

Freight cost compared

IN THE belief that many exporting companies are not really able to tell when it becomes cheaper to send their products by air rather than by surface transport, British Caledonian is at the moment evaluating a computer system designed by McDonnell Douglas to provide the answer after a few minutes of data entry to a simple terminal linked to computers in the U.S. over a time-sharing service.

If the airline finds the system to be satisfactory, it intends to use it to help customers make a decision about use of air freight on the routes it flies. The service will probably be offered free of charge through cargo agents.

One of McDonnell Douglas's claims is that companies shipping goods do not appreciate that surface journeys taking a relatively long time are in effect tying up money in stock in motion, and that at some value per pound carried, the extra cost of airfreight can be more than offset by the reduction in stock.

The difficulty in arriving at a conclusion is that many variables apart from the journey length are involved. Not only do they have to be dealt with in the right way and accurately, but the time has to be found to carry out the work.

McDonnell Douglas at one time had identified 150 variables, but over 10 years of work in this field has reduced them to 44. When these are entered, a "break even" point can be established in about half an hour.

Having achieved a result for the data entered, the user can then determine the sensitivity of this to alteration of particular parameters—for example a change in the interest rate for borrowed money or an increase in insurance rates.

Clearly, British Caledonian will be using the system, called Air Freight Decision Tool (AFDT) as a marketing tool with a view to increasing its freight turnover.

To the suspicious mind formulating the question "Is it biased away from surface transport?" MD's cargo market consultant, Eugene Duval, replies "that would be questioning the integrity of this company."

He points out that AFDT could in fact be employed to compare the cost of any two methods of freighting and that there are no air-conscious elements in the program.

The system, which needs about 50k of core store is likely to be developed further as a stand-alone unit, doing away with phone lines.

The service has been well received in the U.S. where the complete software package has been sold outright to a number of large corporations. Products involved have been motor car parts, electronic devices, pharmaceuticals, cosmetics, precision engineering products and gramophone records/tapes.

GEOFFREY CHARLISH

● WOODWORKING

Drills the drawers

NEW woodworking machine which performs a series of machining operations on desk-drawer fronts, handles recess routing, carries out dowel-hole drilling (to take drawer sides) and drawer-base grooving, has just been commissioned by Project Office Furniture, Hamlet Green, Haverhill, Suffolk (0440-5411).

This combines an electronic switching system with a series of pneumatically operated stops. Drawer fronts are fed by a 22-station hopper to a conveyor belt then automatically drilled, grooved and routed.

There are two operators—one to load the hopper and the other to stack and remove the finished pieces. As well as replacing four manual operations, says the company, the machine reduces the possibility of veneer damage due to repeated physical handling.

● VENTILATION

Simple way to save heat costs

CEILING fans supplied from the standard range of Crompton Parkinson, a Hawker Siddeley company, have enabled audio equipment manufacturer Neve Electronics to achieve savings in heating costs at a factory in Kelso, Roxburgh.

Twelve low-speed, high volume air movement ceiling fans have been installed in the main production area of the factory to create a comfortable working environment throughout the year. The speed of the fans can be varied by wall-mounted controllers to give the required air-flow.

Before the fans were installed, the production area required a large heat input from the warm air convectors due to heat loss under the single-span roof. Installation of the Crompton fans effectively reduced the loss by recirculating heated air from roof level down to the working area, enabling the total heating requirement to be reduced. As the air within the building is in constant motion, there is no discomfort from stale air.

Due to the large roof area the ambient temperature can rise to an uncomfortably high level during the summer months. These fans provide an efficient, low cost and virtually silent alternative to full air conditioning.

Hawker Siddeley Group, 32 Duke Street, St. James's, London SW1Y 6DG. 01-930 6177.

● MACHINE TOOLS

Drills three deep holes

WHAT IS claimed to be the first three spindle deep hole drilling machine in the UK, supplied by TI Rockwell has gone into the GEC Generators factory at Larne in Northern Ireland and is expected to give a near threefold increase in productivity for the work.

Worth nearly £¾m, the machine is a DIAG-Herman Kolb HTB 11 and at Larne it is used to drill holes up to one metre deep in tube plates for high pressure heaters used in the electricity supply industry.

It has one main spindle driven at 70 kW and two secondary spindles powered at 35 kW, with maximum drilling pressures of 5,000 and 200 kP respectively.

Longitudinal movement of the spindle heads is 4,000 mm, vertical travel 3,000 mm and spindle traverse 1,100 mm. Each axis has an individual dc motor which permits rapid traverse rates of up to five metres per minute.

More from TI Rockwell, Welsh Harp, Edgware Road, London NW2 (01-452 0033).

Machining of cams

CAMS AND similar shapes can be produced with high precision by the Castor milling machine now being manufactured in Switzerland by Tornos SA.

This machine will mill parts with diameters up to 430mm and it is especially designed to produce cams for automatic lathes and other types of cam-operated machines.

The machine has two milling spindles assembled on a slide which moves horizontally. It is controlled by a mini-computer which does the necessary geometry and generates impulses for the step motors controlling the spindle motions. Data for the computer is either entered manually via a keyboard or by means of tape.

The machine is being marketed in the U.K. by Tornos Bechler Petermann U.K., Newton Works, 51 Bideford Avenue, Perivale, Greenford, Middlesex (01-997 7282).

● PROCESSES

Blasts off the graffiti

APART FROM its generally accepted use for cleaning concrete from mixers, removing rust from metal, and cleaning walls, boat hulls and similar difficult-to-deal-with surfaces, sand-blasting is now being used to remove graffiti.

As the last problem is on the increase on both private and public buildings, sufferers may welcome a low-price sandblasting unit (£215) available from Wickham Industrial Equipment, Norton Road, Stevenage, Herts. (0438 4041).

This will contain 70 kilos of sand, is mounted on two rubber tyred wheels, and is equipped with a 5 metre hose and special trigger controlled injection lance fitted with a variable valve to control the supply of sand.

The abrasive used is graded dry granulated quarry sand or fly ash from power stations, and the consumption rate varies between 50 kilos to 120 kilos per hour depending on the adjustment of the sand control.

Fastening is safe and cheap

ALTERNATIVE TO power actuated tools, welding and self-drilling/tapping screws is a purpose-designed, precision-engineered method for fixing difficult-to-fasten substrates, introduced to the UK by BIF British Industrial Fastenings, Gatehouse Road, Aylesbury, Bucks (0296 81341).

This tool is portable, hand-held and air-powered, and drives a very hard, pin-type fastener for fastening metal to metal, steel to concrete, steel to timber, etc.

Said to be five to ten times speedier than alternative methods, the BIF-Pneutack gives up to 1,200 in-place fixings an hour.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

TECHNOLOGY FINANCE

BY NICHOLAS LESLIE

Why NRDC's safety net fails to catch many small inventors

THE NATIONAL Research Development Corporation has been attacked over the last few weeks for failing to tap a supposed rich vein of British inventiveness. There are hordes of inventors of low to high technology products, so the argument goes, who are simply not getting the kind of backing that should be expected from the Government's foremost provider of risk and development finance.

This is not a new phenomenon; since its formation 30 years ago the NRDC has been a favourite whipping boy whenever anyone has attempted to explain why, in comparison with other countries, innovation is poorly exploited in the UK.

There seems to be a variety of reasons for such criticism. There is continual confusion over the precise role of the NRDC and its methods of financing. Typical of this is the belief that the NRDC will only finance products protected by patents—theoretically, at least, this is not the case. At the same time there is misunderstanding over what is meant by "new" technology, insofar as the NRDC's stated aim is to back inventions based on new technology.

Then there is a lack of appreciation of the way in which inventor's characteristics and attitudes vary, and how to cope with them. Some, certainly, combine good business sense with technical ability, but others have no commercial sense at all, yet will not consider some form of partnership to exploit their idea. The variety of types is infinite.

These are all long-standing factors. In the last three years the question of whether the NRDC is adventurous enough with its investment decisions has taken on a new aspect in the light of the considerable strengthening of the corporation's financial position.

For the first 20 years of its life the corporation incurred losses. Then licensing income, particularly from a particular type of antibiotic, transformed its finances and it moved into overall profit; as it pointed out in its latest annual report, published on Wednesday, without such income it just about breaks even on joint venture and risk capital activities.

In 1978-79, it earned an operating surplus of £10.8m, compared with £8.25m the year before. At the same time, the corporation became self-financing after repaying all Government loans. A £50m Government facility it can draw on is untouched.

Such financial strength cannot be guaranteed in the future because patents protecting a major part of the corporation's licensing income will eventually run out. But it has others, such as those on pyrethroid insecticides, which are expected to be a financial success

Despite some uncertainties, therefore, it seems reasonable to argue that the current healthy position could be exploited more energetically by making more adventuresome investments (that is, taking greater risks), particularly where this promotes the private inventor.

Sensitive

The NRDC is sensitive to criticism about its attitude to private inventions, maintaining that it attracts a good number of applications each year—a record 790 inventions from individuals were submitted for potential funding in 1978-79. But as the corporation also admits that a great many fall into a relatively few categories

NRDC advertising is unclear about what it means by "new technology."

—the petrol engine is re-invented ad infinitum — the figure loses some of its significance.

Notwithstanding this caveat, the private investor still seems to offer more scope for the NRDC's services. It currently funds only one in a hundred of the private inventions which are submitted to it, compared with one in five of those submitted from industry and one in four from universities. To say, as the NRDC does, that this rate compares favourably with those in the U.S. is no real defence. With 30 years of experience behind it, better ratios than those found abroad should be its target.

Part of the NRDC's problem seems to be that it does not possess the resources to deal readily with other than the more "professional" inventors, those who could be described as inventor/entrepreneurs. People in this category tend to present their objectives much more clearly than the inventor who is more preoccupied with technology than commerce and the market place.

So it is easier for the NRDC executive to decide whether or not to offer finance to an inventor/entrepreneur — whether by way of risk finance in return for a percentage of eventual sales revenue, or by equity in a joint company, two of the most common ways in which NRDC supports projects.

One way the NRDC might profitably broaden its capability would be to establish closer links with other sources of finance, both to help generate a better understanding of the private inventor's characteristics and needs and to act as a bridge between him and other sources of money when it cannot itself oblige with funds. Some form of extra technical and commercial assistance would also help those private inventors who have relatively undeveloped but promising projects.

Closer links with other financial sources were recommended in the interim Wilson Committee report on financial institutions earlier this year. Some steps do seem to have been taken by the NRDC in this direction, with meetings taking place with City institutions, local businessmen and other groups.

Perhaps the most serious misunderstandings about the NRDC relate to technology and patents. In its advertising and publicity the NDRC constantly talks of backing "new technology." To most people this conjures up the idea of major advances in such areas as electronics or medicine.

In fact, the NRDC maintains, when pressed for clarification, that it would consider investing in any area providing some definite advance and measurable benefit is achieved. Thus, evolutionary advances in respect of established products—often considered to be "low" technology, and certainly not "new" technology—would qualify. The corporation might attract more good applications for funds if it were somewhat more explicit about what it means by technology, even if it does feel that it is not doing too badly in attracting nearly 2,000 submissions a year.

As far as patents are concerned, one has to take issue with the NRDC. Under the Act which created the corporation there is no requirement for an invention to be patented or patentable to qualify for funding. Yet, except on those occasions when it is defending itself from attack, the NRDC tends to give the impression of being rather preoccupied with patents, and particularly so where the private inventor is concerned.

Costly

In recent years, patents have become increasingly costly. Under new patent laws which have only recently come into force, not only has the expense escalated even more, but it has become much more difficult to qualify for a patent.

Given such a situation, it seems eminently sensible to concentrate more on exploiting an invention as swiftly and as profitably as possible. In other words, instead of wasting time and money finding out whether or not a patent will be granted, use all available resources to get the product right, into production, and onto the market in order to establish a lead before a competitor tries to exploit the same idea.

Lack of patent protection can admittedly create problems, as the NRDC itself points out. The private inventor in particular, without any production facilities of his own, can risk losing everything when attempts are made to find a manufacturer for his product. Such a danger must be acknowledged, but under changing conditions it can be argued that the time is ripe for a new initiative in this area, so that inventions that are not easily or readily patentable can be exploited both to the benefit of the inventor and the public.

The political dimension of Third World management

BY MOHAMED HAMALUDIN

THE RISE of the public sector enterprise has been a remarkable feature of the post-colonial development of Third World economies.

The bigger territories have been expanding their public sectors in response to popular demands for greater national ownership and control of natural and other resources in the assertion of new-found sovereignty.

In Guyana, the extreme example, there has been a complete nationalisation of the formerly North American-owned bauxite industry and the once British-owned sugar estates apart from the take-over of some smaller companies. The publicly owned sector now accounts for 80 per cent of the national economy.

There are various majority participation models in other territories, which help to swell the region's public sector.

One of the main attendant problems is retaining efficient management, not only in the context of competition from the still strong private sector and the lure of better prospects abroad, but also because of growing political interference in the work of managers.

Experts made proposals

The Third World began to come to grips with this issue a few years ago, especially within the framework of the Non-aligned Movement. This resulted in the establishment of an International Centre for Public Enterprises, in Ljubljana, Yugoslavia.

Early this year, Third World management experts began to make proposals for finding out the state of management in developing countries; and then to upgrade the level of expertise.

The plans were made in Ljubljana, and the first meeting recently took place in Georgetown in the form of a Caribbean workshop on management development. It was co-sponsored by the Ljubljana-based centre, the Guyana Management Development and Training Centre, the Latin American Centre for Development Administration (CLAD), the Caribbean Community (CARICOM) Secretariat, and the United Nations Industrial Development Organisation (UNIDO).

Participants from Barbados, Grenada, Guyana, Jamaica, St. Kitts-Nevis, and Trinidad and Tobago spent a week considering management in the area and produced a series of findings and recommendations.

One key finding is that there must be "an atmosphere of mutual confidence, mutual trust and mutual understanding between the political directorate and the public enterprise manager.

"There is a need to encourage closer communication between politicians and enterprise managers and to involve political leaders in the training process," the workshop report said.

It was found that the activities of the public sector have been progressively expanding in the area and public sector enterprises are emerging as major instruments of national policy. It has therefore become imperative to ensure that they are managed and operated "at optimum levels of efficiency" to enable them to achieve goals and targets set for them.

This quality of management will, however, not be possible unless highly trained, competent managers are available, so training was seen as "of fundamental and critical importance and holds a central position in the total management process." Yet the participants reported, this is not adequately recognised in developing countries.

The participants reported also that the brain and skill drain in the area has become "a growing phenomenon;" and that there are low performance levels in some public enterprises. They recommend that each territory should initiate studies into these two areas to work out methods of dealing with the problems.

Two other recommendations are at the heart of the findings. First, they have proposed that each territory should announce a national training policy, with training to embrace not only managerial skill but also "attitudinal and environmental understanding" and prepare managers "to handle the management of change."

Promotion of studies

Second, they have called for the setting up of a special desk in the CARICOM Secretariat to promote management studies, together with reactivation of plans for a Caribbean Management Development Service (CMDS).

Other proposals are for worker participation and the removal of "the artificial distinction between the managerial class and the worker class."

The recent workshop was the first of a series which will last until September 1980. There is to be a follow-up session this September at the Ljubljana centre to review the findings of the Georgetown workshop, followed by gatherings in the Caribbean, Africa, and Asia next February, and more territorial workshops. A final review session will be held in September 1980 at the Ljubljana centre.

L. M. ERICSSON

In Wednesday's article on L. M. Ericsson a line was transposed in the sentence: "Edsman emphasises that government contributions to the cost of retraining —via several programmes . . ." It should have concluded: "including regional incentives—are only 'marginal'."

Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult original texts should write to: PO Box 23, Wembley, HA9 8DJ.

Games that Managements Play. P. Sykes in Education and Training (UK), Mar. 79: p. 93 and Apr. 79: p. 128 (7 pages, chart, diag.)

Describes the background to the development of business games and simulations, classifies them into groups, and defines their characteristics. Examines how instructors should choose games and set up the participant briefing and physical requirements necessary; explains how a game should be conducted and the results evaluated. Lists claims made for the effectiveness of games and simulations, and outlines their limitations.

Executive Age and Corporate Performance. S. M. Davis in Harvard Business Review (USA), Mar./Apr. 79: p. 6 (2½ pages)

Argues, on the basis of a small industrial sample, that there is no connection between the average age of top management and corporate performance — but contends that mature strategic business units performed better when managed by older, more experienced managers, while newer, growth-oriented units did better under younger managers with current knowledge. From this, outlines a theory of matching managerial maturity to market maturity.

Comparing Growth Opportunities in the International Marketplace. J. A. Weber in Management Review (Fed. Rep. of Germany), No. 1/79: p 47 (10 pages, tables)

Describes how growth planning in geographically diverse markets can be helped by a technique called international market structure profile analysis, which uses a framework common to all product lines and all countries; explains how market structure profiles are developed, and can be used to identify reasons why a firm's sales are falling short of potential in some countries, and as a basis for designing growth strategies.

COMPANY NOTICES

GOLD FIELDS GROUP
NOTICE RE CLOSING OF REGISTERS OF MEMBERS

NOTICE IS HEREBY GIVEN that the REGISTERS OF MEMBERS of the undermentioned companies will be CLOSED for the purpose of the Annual General Meetings as follows:—

Name of Company (Each incorporated in the Republic of South Africa)	Registers of Members closed (both days inclusive)
Gold Fields Property Company Limited	5 October to 12 October 1979
New Witwatersrand Gold Exploration Company, Limited	8 October to 15 October 1979
Gold Fields of South Africa Limited	15 October to 26 October 1979

London Office: 49 Moorgate, London, EC2R 6BQ. 27th September, 1979.

By Order of the Boards, C. E. WENNER, London Secretary

CANADIAN PACIFIC LIMITED (Incorporated in Canada)

ONTARIO & QUEBEC RAILWAY COMPANY

5% DEBENTURE STOCK

[illegible]

W. E. REEVE, Deputy Secretary.

50 Finsbury Square, London EC2A 1DD. September 28, 1979.

CANON INC.

[illegible]

ALLIED IRISH BANKS LIMITED

US$30,000,000
Floating Rate Subordinated Notes due 1984

In accordance with the terms and conditions of the Floating Rate Subordinated Notes due 1984, dated 24th March, 1977, the rate of interest for the interest period from 28th September, 1979, to 28th March, 1980, has been fixed at 13⅝% per annum.

Agent Bank
Manufacturers Hanover Limited

PUBLIC NOTICES

DEPARTMENT OF TRANSPORT
TOWN AND COUNTRY PLANNING ACT 1971

[illegible]

CLUBS

[illegible]

TRAVEL

[illegible]

LOMBARD

Borrowing on lenders' terms

BY NICHOLAS COLCHESTER

COULD THE decision of International Business Machines to raise $1bn through the issue of fixed-rate bonds herald Gotterdammerung in the U.S. corporate bond market? The news of this vast financing, when the entire spectrum of U.S. interest rates is supposed to be at, or close to, its high reminds some British observers of ICI. Back in 1970 the big British chemical company raised long-term money at the rash-looking rate of almost 11 per cent. Shortly afterwards the corporate bond market in the UK went into a coma from which it has yet to emerge.

Floating rates

This may appear a strange reflection at a time when the whole banking world is talking about a "borrower's market" in dollars. But this borrower's market is very much on lenders' terms. Certainly spreads on loans may be coming down and maturities may have got ever longer. But the bulk of today's dollar lending is at floating rates and these small erosions in borrowing terms are of minimal importance when compared with the basic fact that borrowers must increasingly shoulder the interest rate risk themselves. It is becoming steadily harder to find investors ready to commit dollars for 10 years at a rate which a commercial borrower will accept.

One view is that the floating rate has kept capital flowing at a time of great uncertainty about future rates of dollar inflation. The investor wants to anticipate the worst and get a high yield, while the borrower wants to pay a rate consistent with a more optimistic scenario. If uncertainty is great they cannot reconcile these two attitudes: so they agree upon a commitment to supply long-term funds, but at a floating rate of interest.

Others would argue that this way out is too easy and that it actually contributes to the problem it purports to solve. It is, for instance, one of the lesser-known facets of West Germany's monetary self-discipline that the Bundesbank is rigorously opposed to the emergence of floating rate lending in D-Marks.

The Bundesbank feels that floating rates of interest are tantamount to indexation, and therefore acceptance, of inflation. In its view floating rates are a self-perpetuating mechanism to ensure that the investor is always adequately compensated for the erosion of the value of what he is lending. Meanwhile the borrower merely feeds the increasing cost of finance into the price of what he produces.

German banks have upon occasion succumbed to the desire of international investors to provide D-Marks at a floating rate of interest. They have been sat upon by the Bundesbank for issuing the necessary instruments. The latest publicised infringement was that of the Dresdner Bank. Other German bankers concede that this is a useful discipline. "Make the investor take the risk: and if he is only willing to commit funds short, then so be it," says an executive of the Westdeutsche Landesbank emphatically.

The inference is that if the soft option is removed long-term borrowers and lenders will arrive at an acceptable compromise for long-term rates, even under uncertain circumstances. Or that if they don't, this will restrain investment plans in a way which will automatically tend to arrest inflation.

Purist approach

Understandably, at a moment when its first public bonds are still unsold, IBM is not talking about its financing strategy. The purist approach to long-term investment may have played some part in its decision to float bonds—the company needs to make a massive investment in new plants at the moment.

But not so long ago IBM also pinned down $1.5bn in floating rate bank loans, so its main concern may well be to raise money in whatever way it can. A senior executive of Manufacturers Hanover Trust says that the driving force behind the present, buoyant state of U.S. loan demand is the desire of U.S. corporations for long-term floating rate funds for investment in fixed assets.

Why haven't these corporations gone to the bond market? If the U.S. is headed for an era of British-style stagflation, IBM's experience could well show them, later, how they missed out. And the feeling could well grow that the floating rate finance for which they opted was part of the reason why.

AROUND BRITAIN

ROCHDALE

Urban decay and the pioneer spirit

BY RHYS DAVID

NOT VERY far from the centre of Rochdale the grim mix of housing and industry, characteristic of many such older inner urban areas in the North West of England, is starting to take on a softer appearance.

In the shadow of the tall mills which still dominate the area around Crawford Street new housing has been going up and sites prepared for industry. Elsewhere, factories are getting a coat of paint as well as greatly improved access for trucks and better parking, the pubs are acquiring space for beer gardens, and the once derelict canal bank has been restored with a new towpath and trees.

The changes in this 50 hectare area, are all part of an imaginative approach to inner urban problems adopted by Rochdale, the advantages of which have been outlined in a recent study* requested by the Department of the Environment. The aim of the study was to see if the Rochdale experience contained useful lessons for similar decaying areas.

One of the most successful achievements of Rochdale's programme, according to the consultants' report, is that it has made possible the provision of nearly 3 hectares of land to 18 companies already established in the area, enabling them to reorganise or expand production or to improve their on-site facilities. This in itself is expected to generate private sector investment of £700,000, secure 400 jobs, and possibly lead ultimately to the provision of 100 further jobs. The land assembly carried out in the area also means there is room for more firms to move in. Altogether an additional 4 hectares is being made available and if industrial development takes place as expected a further £1.75m could be spent by incoming firms, creating possibly 500 more new jobs.

Improvements

Just as important, confidence all round has been boosted by the visible improvements that have taken place. Residents are benefiting from the greater separation of housing and industry, while industry now knows that it has a secure future in the area. This has all been achieved at a cost so far, if land acquisition is excluded, of under £1m.

For both industry and housing it has been a rather uncomfortable co-existence over recent years and the area became somewhat rundown.

Altogether the area supported around 50 firms, the majority of them in engineering and textiles but including others in food manufacture, vehicles, paper, printing, metal manufacture, and construction. For many of these companies, however—80 per cent of them owned and controlled in Rochdale—cheap factory space and access to the surrounding labour force were offset by other disadvantages. Space for expansion was limited and access for vehicles and parking was poor. The residents, too, were naturally unhappy at the use of their roads by heavy lorries and the evidence of decline surrounding them.

The Crawford Street area might well have seemed a natural candidate for comprehensive clearance but such a move would have meant the break-up of a settled community or the loss of many of the 3,000 or so jobs in the area. Many smaller companies would either have been unwilling or unable to make the transition to other sites, and would have closed down.

Instead at the initiative of Mr. Dick Hargreave, the town's then planning officer, Rochdale council decided to see whether the already tried General Improvement Area principle—comprehensive up-grading of housing areas in co-operation with local residents—could be extended to cover a mixed industrial and residential area.

For the task Rochdale had at its disposal no new powers and for funds has been able to call only on existing sources of finance, including the various Government schemes for aiding employment and urban renewal. The biggest contribution came from a special fund Rochdale itself set up, using rate money, for promoting environmental improvements throughout the borough.

The individual schemes have all been relatively limited in scope but together they have begun to change the appearance of the area. A plot of open space, Robinson's Common, is being altered in shape and slightly increased in size with housing concentrated on one side and industrial premises on the other. Elsewhere money from the Job Creation Programme, together with derelict land grants, has been used to restore the canal bank and fill in some disused branches to create land for industry.

On another site a lease has been taken by a pension fund to develop small factory units in association with a private developer.

The exercise has important lessons for other local authorities, some of which have since declared their own industrial improvement areas. Much of the success of the project has stemmed from close collaboration between the council and existing firms. This made it possible to identify individual firms' requirements and design schemes fitted to their needs and financial capacities. The cross-party support within the council for the scheme was also a major factor.

Experience has inevitably shown that some aspects might have been ordered differently. Finding an economic way of dealing with the old mills in the area seems to have presented the most intractable problem. More too, could perhaps have been done for companies requiring very cheap accommodation. It is also suggested that the pace of new industrial development might have been more rapid if better marketing techniques had been employed.

Lost status

The project is still only half completed—the schemes now under way form part of what was originally envisaged as a five-year programme—so time remains for some of these points to be taken up.

A more serious problem for the borough is posed by the cuts in Government expenditure. Rochdale has lost its intermediate area status and although the position has not yet been clarified it seems likely that extra funds which the area has been able to claim for derelict land clearance will be withdrawn, together with aid under the Local Employment Acts.

Other weapons at the borough's disposal, including the Community Land Act, will also be removed. Rochdale is hoping some of the gaps can be filled through the creation of a new Enterprise Trust. This body, modelled on a similar exercise in St. Helens, will seek to put the resources of the community as a whole behind employment-creating ventures. Such a development would in fact represent just one more step in the substantial programme of self-help Rochdale has generated for itself, helping the town to secure an unemployment rate significantly below the North West as a whole.

It is a record which is perhaps not too surprising. The town's independent spirit dates back to the last century when the first Rochdale Pioneers founded the Co-operative movement.

**Time for Industry. Rochdale Industrial Improvement Area Research Project, SO; £13. Roger Tym and Partners, Franklin Stafford Partnership, Richard Borrett Traffic and Transport Associates.*

Tyrnavos to win emphatically

RACING

BY DOMINIC WIGAN

THE MOST exciting feature of today's Ascot programme is the reappearance of *Tyrnavos*, in the seven-furlong Roberre Trophy Stakes. This colt by Blakeney, out of the Derring-Do mare, Stilll, is half-brother to Tromos and Tachypous.

There was no mistaking his potential on his first outing in the Ribero Stakes at the Doncaster St. Leger meeting. That race was won by Thousandfold, a colt by Forli, sent over from Ireland by Vincent O'Brien, who scored by three-quarters of a length from Dalsaan, a highly regarded youngster from Michael Stoute's Newmarket stable. Tyrnavos was a head away third, and I fully expect him to win emphatically this afternoon.

In the Morston Stakes, Earmark can be expected to give an improved showing. Although unlikely to be a classic proposition next year (he is by Hot Spark, out of a mare by Gratitude, thus bred for sprinting on both sides of his pedigree), he was a good winner of a race for newcomers at Sandown 11 days ago.

I expect him to be too good for Jawad and the consistent Star Flare, though a market move for the unraced Cragador, an American-bred colt whom Harry Wragg trains for Sir Philip Oppenheimer, could be significant.

Millvera, a vastly improved filly, will be bidding for her sixth consecutive win in the Taylor Woodrow Charity Handicap. Though carrying a 7lb penalty as a result of her most recent victory, at Doncaster, she is sure to go well again. But I doubt her ability to contain Head Huntress, who, after running Hardgreen to a neck at Sandown, divided Connaught Ranger and Bonnie Isle over one and a quarter miles at Kempton three weeks ago.

Red Rufus, who is in good shape, is suggested for the Leverton Handicap. I like the look of Pinvial in the Flamborough Stakes at Redcar.

ASCOT
2.15—Swinging Sam
2.45—Dutch Treat
3.15—Head Huntress**
3.45—Red Rufus
4.20—Tyrnavos***
4.55—Earmark

REDCAR
2.30—Path of Peace
3.00—Pluvial*
4.00—Abbotsbury

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 How Do You Do? 2.02 For Schools, Colleges. 3.00 Racing from Ascot. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Me and You, Kangaroo. 4.35 Captain Caveman. 4.50 Crackerjack. 5.35 Noah and Nelly.

5.40 News.
5.55 Nationwide (London and South East only).
6.55 Some Mothers Do 'Ave 'Em.
7.30 What A Carry On! "Carry On Up The Khyber."
9.00 News.
9.25 Petrocelli.
10.15 Points of View (London and South East only).
†10.20 Phil Silvers as Sergeant Bilko (London and South East only).
10.45 Regional, National News.
10.50 The Late Film: "Busy Body," starring Sid Caesar.

All Regions as BBC-1 except at the following times:—

Scotland—9.25-9.45 and 11.00-11.20 am For Schools. 5.55-6.20 pm Reporting Scotland. 10.15 Grimble on Genius. 10.45-10.50 Regional, National News.

Wales—1.45-2.00 pm Y Cowbol Bach. 2.02-2.22 I Ysgolion. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.20-7.30 Tom and Jerry. 10.15 Week in Week Out. 11.05 News For Wales. 11.06 The Rockford Files. 11.55 Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Papacy Today (discussion). 10.45-10.50 Regional, National News.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) Encounter; Midlands (Birmingham) Steam Upon Severn; North (Leeds) Close-up North; North East (Newcastle) Two-to-One; North West (Manchester) Home Ground; South (Southampton) Report South; South West (Plymouth) Newswatch; West (Bristol) Public Life.

BBC 2

6.40-7.55 am Open University. 9.15 Liberal Party Assembly. 11.00 Play School.

11.25-12.30 pm Liberal Party Assembly.
2.00 Racing from Ascot.
3.00 Liberal Party Assembly including at 3.30 speech by David Steel, MP, Leader of the Liberal Party.
4.50 Open University.
6.55 Gardeners' World.
7.20 News.
7.30 It's a Dog's Life.
8.00 Kilvert's Diary.
8.15 Tommy Trinder, CBE, in "The Old Boy Network."
9.00 "Bonnie and Clyde," starring Warren Beatty and Faye Dunaway.
10.45 Late News on 2.
11.10 Friday Night ... Saturday Morning.
12.00 Closedown reading.

CHANNEL

Channel is the only IBA company transmitting programmes during the present industrial dispute. Details of this local service are given below.

1.20-1.30 pm Channel Lunchtime News, What's on Where and Weather. 5.00 Puffin's Birthday Greetings. 5.05 Kum Kum. 5.30 Woobinda. 6.00 Report at Six Extra. 7.00 Wildlife Cinema. 7.25 Code R. 8.20 Feature Film: "Boy in the Plastic Bubble." 10.00 Channel News Headlines. 10.05 Asian Notebook. 10.30 "The Case of the Mukkinese Battle Horn." 11.00 French news, etc.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(s) Stereophonic broadcast
‡ Medium Wave.

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 6.31 Roundtable. 8.00 *Al Matthews. 9.50 Newsbeat.* 10.00 The Friday Rock Show (s). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Tony Brandon (s). 7.32 Terry Wogan (s). 10.03 Jimmy Young (s). 12.18 pm Waggoners' Walk. 12.30 Pete Murray's Open House (s). 2.15 David Hamilton (s) including Racing from Ascot. 4.15 Much More Music (s). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (s). 5.45 Sports Desk. 7.02 Quote . . . unquote (s). 7.30 Fiesta de Gorila (s). 8.02 Ronnie Aldrich conducts the BBC Radio Orchestra (s). 8.45 Friday Night is Music Night. *9.55 Sports Desk. 10.02 Sequence Time at the Radio 2 Ballroom.* 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music with Tim Gudgin (s).

RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Overture Concert, part 1 (s). 8.00 News. 8.05 Concert, part 2. 9.00 News. 9.05 This week's composer: Rubbra (s). 10.00 Bach: Goldberg Variations Concert, part 1 (s). 10.40 Interval reading. 10.45 Concert, part 2. 11.30 John Taverner: Mass: O Michael (s). 12.15 pm Midday Concert, part 1 (s). 1.00 News. 1.05 Playbill (s). 1.20 Midday Concert, part 2 (s). 2.05 The Arts Worldwide. 2.25 Now and Then (s). 3.15 Saint-Saens (s). 3.35 Karajan: the early years. 4.25 Comparing Notes with Christopher Hogwood (s). 5.25 Homeward Bound (s) including 5.45-5.50 News (‡ and mono only from 5.45). ‡6.15 At Home. 7.10 Georg Muffat concert (s). 7.25 Play it Again. 7.30 Anna Queffelec piano recital (s). 8.00 Lorin Maazel and the Cleveland Orchestra concert, part 1: Brahms (s). 8.40 Words, words, words (s). 9.00 Concert, part 2: Wagner (s). 10.00 Music Now investigates the problems of commissioning and mounting new works. 10.50 Sacred Garden of Delights (s). 11.55-12.00 News.

VHF only—6.00-7.00 am and 5.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today Live from Peking: Thirty years of the Chinese People's Republic, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.45 Diary of a Somebody. 9.00 News. 9.05 Baker's Dozen. 10.00 News. 10.05 From our own correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 Down Your Way at Bristol Zoo. 11.40 Announcements. 11.45 Listen with Mother. 12.00 News. 12.02 You and Yours. 12.27 My Word! (s). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour from Birmingham. 3.00 News. 3.05 Afternoon Theatre (s). 4.00 News. 4.05 Champagne: Survey of a wine (s). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the week (s). 8.10 Profile. 8.30 Any Questions? 9.15 Letter from America. 9.30 Kaleidoscope. 9.59 Weather. 10.10 The World Tonight. 10.30 Week Ending (s). 10.55 Sounding off. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Basil Boothroyd at the Archive Auction. 11.45 Just Before Midnight. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 Paul Owens' Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Turn up the Volume ("Julius Caesar"). 9.00-5.00 am Join Radio 2.

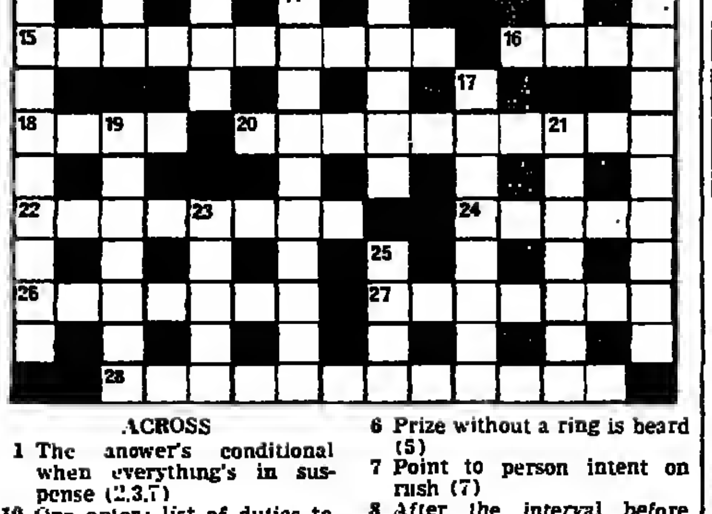
London Broadcasting

5.00 am AM with Bob Holness and Doug Cameron. 10.00 The Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 o'clock Call. 4.00 LBC Reports with Sue Jameson and Alan Clark. 8.00 After Eight. 9.00 Nightline. 12.00 LBC Reports Midnight. *1.00 am Night Extra. 4.00 Our Kind of Town.* 5.00 Morning Music.

Capital Radio

6.00 am Breakfast Show with Mike Smith (s). 9.00 Michael Aspel (s). 12.00 Dave Cash (s). 3.00 pm Roger Scott (s). 7.00 London Today (s). 7.30 Open Line with Ric Davis (s). 9.00 Nicky Horne's Mummy's Weekly (s). 11.00 Mike Allen's Late Show (s). 2.00 am John Sachs's Night Flight (s).

F.T. CROSSWORD PUZZLE No. 4,085



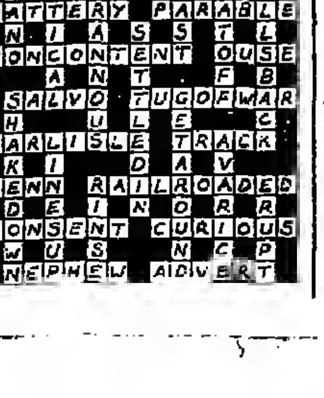
ACROSS

1 The answer's conditional when everything's in suspense (2,3,7)
10 One enters list of duties to make merry (7)
11 Accountant takes second-class food to passenger of rank (3,4)
12 Artist turned round to master to get the flavour (5)
13 Tart reminder of predicament in bed (5,3)
15 Place of loud debauchery patronised by drinkers (3,7)
16 Run of West-end rubbish (4)
18 Aims to send another way (4)
20 One pound note and share change (10)
22 Abandon fish for some other dish (8)
24 Piece put in by party elected (5)
26 So long applause for one-love finish (7)
27 Nice gal may well be heavenly (7)
28 When grousing starts revolution during part of fight (7,5)

DOWN

2 Diminish result of docker's work (4,3)
3 Romeo unwilling to go on a river abroad (8)
4 Tuck on West-country river (4)
5 Choose to keep a thief (10)
6 Prize without a ring is beard (5)
7 Point to person intent on rush (7)
8 After the interval before the singles the bird could start scoring (5,4,4)
9 Contemptible inferior copy (7,6)
14 When work in a bank is cancelled, there will be censure (7,3)
17 Starting to like acquiring a taste for (6, 2)
19 Mother sits on an annoying person who is as wet as can be (7)
21 During insular rising, artist goes and brings in drug (7)
23 Elgar variations are great (5)
25 Has old-fashioned bowler been given hard lead? (4)

Solution to Puzzle No. 4,084



COMPANY NOTICES

MINERALS AND RESOURCES CORPORATION LIMITED
(Incorporated in Bermuda)

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
PAYMENT OF COUPON No. 86

With reference to the Notice of Declaration of Dividend advertised in the press on 10th September, 1979, the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 8 cents was declared in United States currency. The dividend on bearer shares will be paid on or after 5th November, 1979 against surrender of Coupon No. 86 detached from share warrants to bearer at either:—

(a) at the office of the corporation's continental paying agent:— Credit du Nord, 6/8 Boulevard Haussmann, Paris 75009.

(b) at the London Bearer Reception Office of Charter Consolidated Limited, 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in U.S. dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency either:—

(i) in respect of coupons lodged prior to 26th October, 1979 at the United Kingdom currency equivalent of the United States currency value of their dividend on 30th October, 1979 or;

(ii) in respect of coupons lodged during the period 26th October, 1979 to 31st October, 1979 both days inclusive at the United Kingdom currency equivalent of the United States currency value of their dividend on 5th November, 1979 or;

(iii) in respect of coupons lodged on or after 1st November, 1979 at the then prevailing rate of exchange on the day the proceeds are remitted to the London Bearer Reception Office.

Coupons must be left for at least four clear days (eight days if payment in United States currency has been requested) for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from coupons paid in the United Kingdom at the London Bearer Reception Office, unless such coupons are accompanied by declarations to the contrary in accordance with Inland Revenue requirements. Where such deduction is made, the net amount of the dividend will be 5.60 cents (U.S.) per share as follows:

	United States Currency per share cents
Amount of dividend declared	8.00
Less: U.K. income tax at 30% on the gross amount of the dividend of 8 cents	2.40
	5.60

In the case of payments made in U.K. currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct,
EC1P 1AJ.

27th September, 1979.

THE CREDIT ASSOCIATION OF PROPRIETORS OF SMALL LANDED ESTATES IN JUTLAND
4% AND 4½% BONDS

NOTARY PUBLIC has effected the Drawing prescribed in the Articles of Association Paragraph 20 and Supplement of 21/12/34 of numbers of Bonds of Jutland Land Credit Association 4 per cent and 4½ per cent which are to be redeemed per 2nd January, 1980.

Lists of numbers drawn may be obtained from Hambros Bank Limited, 41, Bishopsgate, London EC2P 2AA, or on application to the Office of the Association in Aalborg, or Den Danske Bank af 1871 Akt. Copenhagen.

HAMBROS BANK LIMITED
28th September, 1979.

CITY OF COPENHAGEN
U.S.$15,000,000 6% 20 YEAR EXTERNAL LOAN OF 1965

Bondholders of the above Loan are advised that the Redemption due 15th November 1979, i.e. U.S.$1,000,000 nominal, has been effected by purchase. The balance outstanding after this Redemption is U.S.$6,000,000 nominal.

HAMBROS BANK LIMITED
28th September, 1979

Cinemas are continued on Page 3

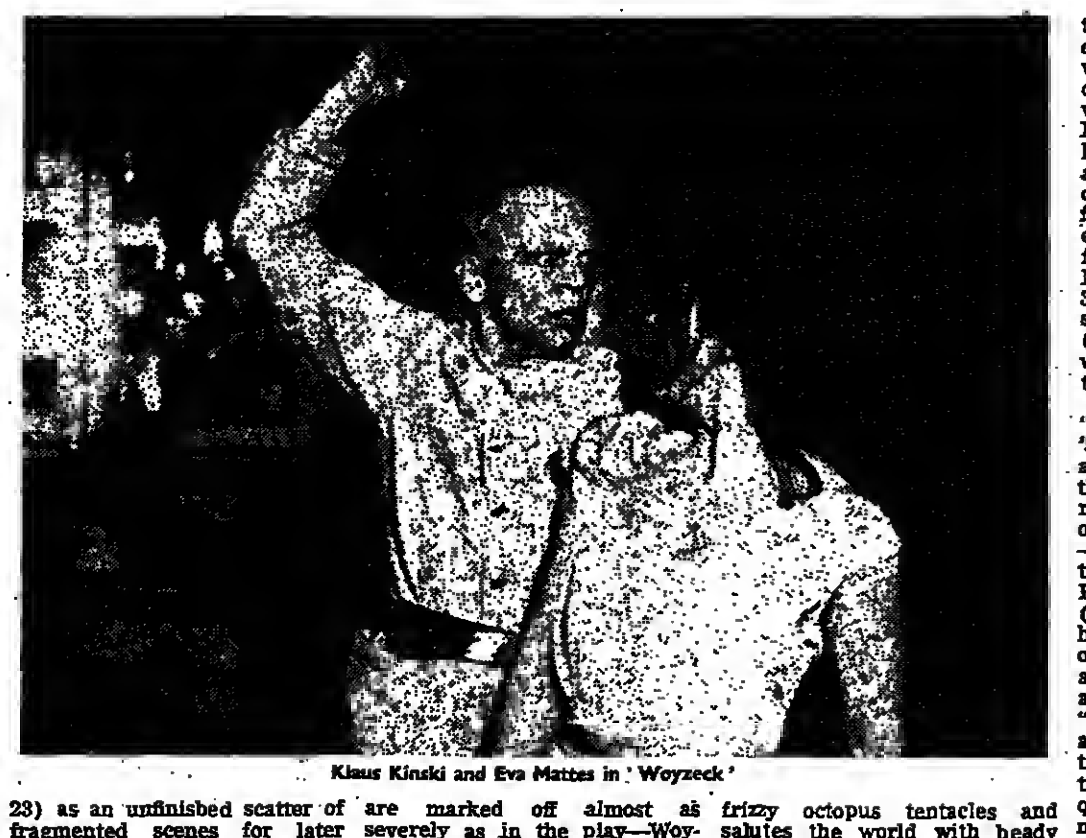
|هكذا من الأصل

THE ARTS

Cinema

A soldier's tale by NIGEL ANDREWS

Woyzeck (AA) Paris Pullman, Phoenix East Finchley
Rockers (AA) Screen on the Green, Classic Victoria, Ace Brixton, Ace Upton Park
Man of Marble (U) Academy
The In-Laws (A) Warner West End, Classic Oxford Street, ABCs Fulham Road, Bayswater and Edgware Road



Klaus Kinski and Eva Mattes in 'Woyzeck'

Werner Herzog's *Woyzeck* gives us Klaus Kinski, the skull-featured German actor who played Herzog's *Aguirre* and *Nosferatu*, as the title hero of Georg Büchner's 1836 play-fragment, here adapted for the screen. That three-way collision of artistic forces should be enough to make you drop everything and rush off to buy tickets. Herzog, Kinski and Büchner are three *enfants terribles* who in the cathedral of European Art have gouged out eminent niches for themselves, topped by gargoyle-grinning busts, in the chapel of the Romantic-Grotesque.

Büchner's play, a scorching cry of absurdist despair delivered some 50 years ahead of its time, tells of a German soldier whose bewildered and blockish innocence makes him the butt of everyone's jokes and exploitative cruelty in the small town where he lives. His wife Marie flirts freely with a handsome officer; his Captain wags a frequent finger at him for "thinking too much," and his Doctor uses him as a human guinea-pig, subjecting him to a diet of peas to see how long he can stave off insanity. Woyzeck reacts to them all with a mixture of obedience and inarticulated resentment until the catalytic moment when discovery of Marie's infidelity pushes him to murder.

Woyzeck is Neanderthal man with a thin covering of developed emotions. He is neither hero nor anti-hero—rather a chunk of raw humanity almost as unaltered and unrefined as Büchner's own play, which he left behind (dying at 23) as an unfinished scatter of fragmented scenes for later generations to sort into order.

Herzog's movie has kept close to the published text, a speculative chronologisation of Büchner's scenes, and close also to the theatrical spirit. It may disappoint Herzog fans looking for another romantic apocalypse, a seven-veils dance of mysticism from the director of *Fata Morgana*, *Aguirre* and *Heart of Glass*. But it won't disappoint Büchner fans, for one could hardly imagine a better movie rendering of his masterpiece.

Shot in a lakeside town in Czechoslovakia (the film was made back to back with *Nosferatu*, and both movies show the birth of anarchy in a picture-pretty *petit-bourgeois* town), *Woyzeck* moves along in bright blocks of tableau-like narrative. The separate scenes are marked off almost as severely as in the play—Woyzeck Shaves, The Captain, Woyzeck is Harangued By The Doctor, Woyzeck Discovers Marie's Adultery—and Klaus Kinski's poker-backed performance keeps perfect pace for most of the film with the artfully metronome tempo. Clicking his heels like a toy soldier and papering over his inner agony with an all-purpose grin, Kinski is a spirit in bondage to formality right until the moment when the murder—shot by Herzog in slow motion to the accompaniment of a slurred and hideous waltz tune—releases him and at last tears and jags the film's decorous rhythm.

The film's air of the theatrical, or even of the televisual (static camera set-ups and close and medium shots), is unabashed. But Herzog has clearly decided that Büchner's claustrophobic vision is better served by a close-fisted concentration of effects than by the facile lure of "opening out" the play. *Woyzeck* may not please those hoping for another visionary *tour de force* from Herzog the mystic, but it's a fine testament to the resilient skills and versatility of Herzog the film-maker.

You would be mad to miss *Rockers*, a gloriously off-beat Jamaican film which confers instant cinematic immortality on the West Indian Rasta-and Reggae culture. If the world hasn't caught up with you of late, you may not know that Rasta is the name for the current Caribbean movement—part cultural, part religious—which worships Haile Selassie as the personification of the Almighty, wears pigtails like frizzy octopus tentacles and salutes the world with heady doses of Reggae music.

"Rastafarians" also have their very own argot, to help with the deciphering of which this film kindly supplies subtitles. The story of *Rockers* is a piece of casually run-up neo-realist melodrama about a Reggae drummer who falls foul of the Big Boss at the club where he works and tries to marshal his fellow Rasta-men in a retaliation against the forces of "Babylon" (Rasta-language for the corrupt establishment).

But the story hardly matters. The film lilts and breezes along on its recreation of Jamaican street life, spiced with music and with the crazed syntax and vocabulary of the Rasta patois. The constant backing of reggae songs—with their deep bass and sweetly jogging rhythm—turns the routine story into a kind of hip tropical ballet.

Writer-director Theodore Bafaloukos keeps a steady pulse going through the film, even when the "plot" accelerates to take in lively fight scenes, and he pegs its rhythm chiefly to the jaunty, loopy, off-handedness of Leroy "Horsemouth" Wallace as the hero. This jaunty-legged scarecrow has the permanent look of a man woken with a shock from a hangover and his voice minces even the Rasta patois into a cheerfully gabbled incomprehensibility all his own. He's a natural star.

★

Andrzej Wajda's *Man of Marble* is a bit of a plod, albeit through some picturesque terrain. This 160-minute Polish tale of a female film-maker who tries to reconstruct the life and character of a Stalinist worker whose fallen statue she discovers one day in a museum vault, is like an overextended Iron Curtain *Citizen Kane*. We learn that the said worker was a Stakhanovite in the 1950s—one of those who set the pace for industry by personal example—and that his national fame as a record-breaking brick-layer (with his team he laid 30,000 bricks in one working session) gave way to a sudden (and scandal-caused?) obscurity whose source our heroine tries to discover.

The film effectively dovetails "live" footage, set in both the '50s and the '70s, with black-and-white newsreels viewed by the lady film-maker during her research. The two stories—her own life and that of her subject—are cross-cut, offering some telling *correspondances* between Poland then and Poland now. (Notably in the continuance of bureaucracy as a tool for oppression.) But the film has a tendency to state the obvious and then to state it again. "Human epic" epic is written all through—from the resonant title to the daunting running time—but the content never quite swells to fill the monumental form.

★

Alan Arkin's face is a Custer's Last Stand of emotional stoicism. Attacked by panic on all sides, those deadpan features and intransigently motionless eyebrows are the funniest portrayal of concealed hysteria in modern American cinema. Only Buster Keaton ever had a more immobile face than Arkin, and even Keaton never had to hold at bay quite so many simultaneously assaulting emotions as Arkin in *The In-Laws*.

He plays a New York dentist whose daughter is about to marry the son of a wealthy but demented-seeming CIA agent (Peter Falk). In the days leading up to the wedding, Arkin is taken into Falk's confidence and finds himself reluctantly caught up in a CIA scheme to deal with an international money-minting plot. Leaving his patients to languish indefinitely in the waiting-room, he is whisked off by Falk to Central America to meet a mad dictator (Richard Libertini), to face a firing squad, to be saved, and then to find himself on the possible receiving end of forgery charges.

Scripted by Andrew Bergman (who wrote *Blazing Saddles*), the film has at least twice as much verbal wit as the average crime-caper comedy, and Falk's fidgety, laryngitic charm finds its best big-screen role in years. But it is Arkin who sticks in the memory. Exploding gnomically across the screen, his cries of fear and bewilderment are all the funnier for issuing from a face fixed permanently in a shell-shocked rictus of impassivity.

Coliseum

Aida by RONALD CRICHTON

Leonard Burt

Josephine Barstow

Verdi's *Aida* is so much a part of the operatic landscape that one forgets that as far as major London companies are concerned the work has been Covent Garden's preserve: Wednesday's new production by the English National Opera was the first by that organisation since pre-war Sadler's Wells days. Then a "company" *Aida* modestly staged and decently sung (one remembers the Amneris of Edith Coates, like a bunch of hot snakes) was acceptable. Today's public has been spoiled by cast after international cast and a succession of recordings—not to mention, at least in the most recent Covent Garden production, lavish staging.

The ENO offers a company performance at least partly on an international level in a staging with nearly as much visual razzle-dazzle as Covent Garden's. The result, on Wednesday, was uneven and uneasy. John Copley's production started well with the action of the early scenes swiftly and smoothly sketched in. But it soon became clear the set by Stefanos Lazaridis (which has some good features like the panels covered with hieroglyphs) was anchored too firmly and too far forward to a central, sloping ramp huddling the action front-stage, in a way (as we know from the *Ring*) useful for Wagnerian dialogues but oppressive for less intimate occasions such as the Amneris-Radames duet in *Aida*, and vocally and visually cramping for Verdi's big ensembles.

In the costumes gold, or rather tinselly gilt, predominates. Some are individually handsome, but the lighting, tactlessly pouring down from above, catches the gold on helmets, headdresses, shoulders, even the rims of thrones, obliterating singers' features (only Aida herself, more plainly dressed, escapes) and even in one ensemble rendering the not inconspicuous Amneris of Elizabeth Connell almost invisible. The triumph scene is neither a procession nor, as in Götz Friedrich's remarkable Amsterdam production, a collision between king and priests, but a complicated sequence of tableaux all too vivants. There is some heavy symbolism with a giant god's head (gilded, of course) intact for the triumph, then bashed in for Act 4 and finally lowered to form the roof of the lovers' tomb. There are huge buttresses of black masonry almost as heavy-looking as the same designer's blocks in the Covent Garden *Idomeneo*. The handling of these obstacles on the first night was commendably quiet.

The sets affected the sound of the ensembles, bringing out the blare which is the least attractive feature of the Coliseum acoustics, presenting Sir Charles Groves with so far unsolved problems of blending the choral tone in the triumph, where some of the chorus men were too near the front for comfort or balance. Many things, especially in the solo scenes, were handled by Sir Charles in an unobtrusively sensitive way that gave pleasure. Other pages were nerveless or flaccid. The dances had little charm (Arrau's recording of Liszt's *Aida* paraphrase for piano shows exactly what was missing at this performance). The orchestral playing was variable.

In the title-role Josephine Barstow performed a feat on the scale of her Elisabetta in *Don Carlos*, her passionate commitment, intelligence and sense of style overcoming a method of voice production that seemed doomed to lead to tightening, yet did not do so, that sometimes (but not always) obscured the words and occasionally caused problems of intonation. One or two passing strains in the Nile scene were mainly due to inept accompaniment. Dramatically the portrait—shy, slinking, animal-like yet full of fierce dignity—was admirable. Very sensibly, Mr. Copley kept his Aida at the front during the big ensembles so that her voice could, and did, dominate.

The Amneris of Elizabeth Connell, though the middle of the voice was not projecting easily, had moments of splendid vocal intensity. During the first three acts Miss Connell's features wore a sweet, secret smile, like an English lady who had arranged a brilliant marriage for her daughter. In the last act she was abruptly transformed into an Egyptian Elektra—more convincing, in the circumstances. The Radames of Tom Swift looks tolerably martial and his voice has metal as well as ring. His performance is not melting, but there is much to be thankful for. The Amonasro of Neil Howlett provided the most consistently Verdian singing of the evening—another time he will surely leave an ounce or so more in reserve for "Pensa che un popolo."

Edmund Tracey's new English translation seemed a mixture of happy phrases and others either too stilted or too conversational. When more is audible there may well prove to be greater consistency. The off-stage priestess in the temple was unromantically near. The choreography of Terry Gilbert is determinedly anecdotal, falling over backwards to make the dancing part of the action. With the formal ballet music Verdi writes in act 2 such an attempt is unlikely to succeed. With some adjustment of the visual side this production may still make an adequate framework for the long succession of performances no doubt foreseen.

Festival Hall

Sarbu and Schiff

Harry Blech and his London Mozart Players had two guest soloists on Wednesday, in a rather too generous programme. When I left after Mr. Sarbu's Dvorak Violin Concerto, there was still Mendelssohn to come; and we had begun with substantial Haydn—the Symphony in D, no. 96, in a performance more cheerful than precise.

At 29, the Romanian violinist Eugene Sarbu is a triumphant veteran of many competitions, including the Carl Flesch in London last year. He produces an even, singing tone, and was not tempted to force it during Dvorak's *mittel-Europäisch* revelries; his fluency in soaring arpeggios is striking, though his intonation is not faultless (there were sour octaves last night). The chief distinction of this performance was his poised restraint in the Adagio, heartfelt but not heart-on-sleeve. The Finale began with a promising lilt, but the shifty *furiant* rhythm needs to be kept taut, and unfortunately the rapport between conductor and soloist grew ever vaguer as the movement progressed: a shambles was avoided, but it was a near thing.

The pianist Andras Schiff is already a familiar London visitor, and his exquisite *sotto voce* account of Mozart's F major Concerto, K.459, was what one expected. There was edgy ensemble in his final movement, too, but more quickly cured. Schiff's line was always etched with the utmost delicacy, and his ornaments were impeccably elegant. Once or twice a pianissimo left hand sounded mannered, and a whole counter-subject was so tactfully reticent as to be imperceptible. The performance was sweetly persuasive nonetheless, and Blech and his players supplied a lively and sympathetic (if not very close) accompaniment.

DAVID MURRAY

Rachel Davies, Ron Cook and Julie Waters

Leonard Burt

Hampstead

Ecstasy by B. A. YOUNG

Ecstasy is devised and directed by Mike Leigh, the programme says. I understand that the company worked the play out at rehearsals after being given a theme, and the resultant script was solidified for non-extempore playing.

The company have produced some good dialogue in the tape-recorder style, and they act nicely enough. But clearly they had no idea how a play should progress. In a short first act, Val (Rachel Davies) breaks into a bedroom where her husband Roy (Ron Cook) is seducing an unwilling Jean (Sheila Kelley), and fights him so briskly that poor Jean's bed loses two of its legs.

In a second act spanning two hours, Val and Roy are forgotten. Jean is entertaining an old friend, Len (Jim Broadbent), when Dawn (Julie Walters), whom we met briefly in the first act, enters with her Irish husband Mick (Stephen Rea). The four of them settle down to a "session" in which they gossip, sing and drink until they are all asleep and so was I. Mick and Dawn leave, but Len stays, chastely, to console Jean for the sadness of her spinster life, which has not only driven her to adultery but is also driving her to drink.

I am frankly tired of plays about working-class people who do nothing but drink, copulate and swear. This is a specially poor example, for the characters clearly have no life at all off the stage. There are occasional references to their poverty, but they consume endless beer, gin and vodka, and Len has a Cortina. Their existences start and finish with their entrances and exits, like characters in a bad farce. This might have mattered less if they were not so relentlessly rubbed in our faces.

Gracie Fields

Dame Gracie Fields, probably the most popular British entertainer of the 1930s and '40s died yesterday in Capri, her home for 30 years. She was 81. "Our Gracie," born over a fish and chip shop in Rochdale, never lost the common touch and was regarded as a quintessentially English performer, even though she rarely visited her homeland in recent years. However she returned to Rochdale a year ago to perform in the theatre named after her.

Gracie Fields, real name Grace Stansfield, had the rare talent of moving an audience from tears to laughter in seconds. Her first success was in the music hall with her songs of common life, sometimes humorous, sometimes rather maudlin, but she reached a wider audience as a film actress in the 1930s and firmly cemented her hold on the British public during the War when she toured the world entertaining troops. As a singer-comedienne she had few rivals and the songs she immortalised, "Sally," "The biggest aspidistra in the world" and "Bless this House," will be a lasting memorial. She married three times and is survived by her husband of 17 years Boris Alperovici.

A.T.

LEGAL NOTICES

Company No. 1055434
Registered in England
THE COMPANIES ACT 1948 TO 1976
ARCHIRIS SHIPPING LIMITED
NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a meeting of the creditors of the above-named company will be held at The Conference Hall, Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, on 10th October 1979 at 11.30 a.m. for the purposes mentioned in sections 294 and 295 of the said Act, i.e.:
1. The nomination of a Liquidator;
2. The appointment of a Committee of Inspection.
Dated this 24th day of September 1979.
By Order of the Board,
F. C. ARGHIRIS, Managing Director.

IN THE MATTER OF ANGELANTONY LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1948
NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 2nd day of November, 1979, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned KEITH DAVID GOODMAN, FCA, of 3/4 Bentinck Street, London W1A 3BA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 21st day of September, 1979.
KEITH DAVID GOODMAN, Liquidator.

THE COMPANIES ACTS 1948 TO 1976
MARGUE GARAGES LIMITED
NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of: LEONARD CURTIS & CO., 3-4 Bentinck St., London W1A 3BA, on Tuesday, the 2nd day of October 1979, at 12 midday, for the purposes mentioned in sections 294 and 295 of the said Act.
Dated this 18th day of September 1979.
By Order of the Board,
R. GUESS, Director.

THE COMPANIES ACTS 1948 TO 1976
MYRA-KNIT LIMITED
NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of:

LEONARD CURTIS & CO., situated at 3/4 Bentinck Street, London W1A 3BA, on Tuesday, the 9th day of October, 1979, at 12 o'clock midday for the purposes mentioned in sections 294 and 295 of the said Act.
Dated this 21st day of September, 1979.
By Order of the Board,
M. COHEN, Director.

IN THE MATTER OF TEDOAR LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1948
NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of October, 1979, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned KEITH DAVID GOODMAN, FCA, of 3/4 Bentinck Street, London W1A 3BA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 18th day of September, 1979.
KEITH DAVID GOODMAN, Liquidator.

THE COMPANIES ACTS 1948 TO 1976
C.C. RECORDS LIMITED
NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of LEONARD CURTIS & CO., situated at 3/4 Bentinck Street, London W1A 3BA, on Wednesday, the 10th day of October, 1979, at 12 o'clock midday for the purposes mentioned in sections 294 and 295 of the said Act.
Dated this 24th day of September, 1979.
By Order of the Board,
A. S. GATLANO, Director.

THE COMPANIES ACTS 1948 TO 1976
TALONPORT LIMITED
NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of: LEONARD CURTIS & CO., situated at 3/4 Bentinck Street, London W1A 3BA, on Friday, the 5th day of October 1979, at 12 o'clock midday, for the purposes mentioned in sections 294 and 295 of the said Act.
Dated this 19th day of September 1979.
By Order of the Board,
O. V. COLLIN, Director.

FOOD PRICE MOVEMENTS

	September 27 £	Week ago £	Month ago £
BACON†			
Danish A.1 per ton ...	1,180	1,180	1,180
British A.1 per ton ...	1,160	1,140	1,140
Ulster A.1 per ton ...	1,160	1,140	1,140
BUTTER†			
NZ per 10 kg	13.20/13.37	13.20/13.37	13.20/13.37
English per 10 kg	17.67	17.27	—
Danish salted per 10 kg	18.35/18.47	18.35/18.47	17.55/17.66
CHEESE‡			
English cheddar	—	1,610	1,450/1,610
Irish cheddar	—	1,481.03	—
Danish cheddar	—	1,370/1,405	1,340
EGGS*			
Home produced:			
Size 4	4.10/4.25	4.20/4.40	3.20/3.40
Size 2	4.60/4.80	4.60/5.00	3.90/4.00

	September 27 p	Week ago p	Month ago p
BEEF			
Scottish killed sides ex-KKCF	60.0/65.0	60.0/65.0	63.0/67.0
Eire forequarters	44.0/46.0	43.0/45.0	42.0/44.0
LAMB			
English	52.0/57.0	52.0/56.0	56.0/60.0
NZ PLs/PMs	47.0/49.5	47.0/49.5	48.0/50.0
PORK			
All weights	38.0/46.0	36.0/47.0	35.0/44.0
POULTRY			
Oven-ready chickens ...	38.0/44.0	38.0/44.0	40.0/44.0

* London Egg Exchange price per 120 eggs. † Delivered.
‡ 20-kg rindless blocks, delivered, per tonne.

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Friday September 28 1979

No way to save jobs

AT A time when 3.4 per cent of the workforce in London is unemployed, the buses, underground, commuter trains and postal system are failing because of acute staff shortages. Yesterday the Manpower Services Commission published a report on staff shortages, attributing them to poor manpower planning by employers, low pay, inadequate training facilities and lack of housing. These are all serious impediments to the efficient functioning of the labour market.

But more eloquent testimony on this problem has been provided this week by two industrial disputes. On Wednesday passengers at Paddington were held up by a strike called by the National Union of Railwaymen to protest against new working arrangements for 50 men in the parcels office. Yesterday London Transport train drivers rejected a scheme, which had been agreed by their national union officials, to introduce one-man operation on underground trains.

Worse off

The tragedy of these disputes, and dozens of others like them which occur in British industry every day, is that the workers are prepared to protest, obstruct and ultimately strike, over nothing. The railwaymen striking at Paddington will not gain a single penny if they win and the management abandons its plans to alter manning. All that will happen is that other parts of Paddington Station, which are currently short of staff, will continue to be undermanned and customers will continue to suffer. If the tube drivers win, they will be significantly worse off, since they will forgo the £7 a week in bonuses that their union has negotiated for them in exchange for allowing one man to do one man's job.

If the workers "lose" in these disputes, what sacrifices will they be forced to make? No jobs are at risk either at Paddington or in London Transport. All the men from the office dealing with incoming parcels at Paddington will be transferred either to outgoing parcels or to the passenger service, which is chronically short of staff. They will not even have to move to another location or work more unsocial hours. London Transport's drivers have been given firm guarantees that one-man operation will be introduced gradually, without any redundancies. Even if they do not trust the management, London Transport's employees could hardly be worried about losing their jobs, when every train they drive carries advertisements calling for desperately needed extra staff.

Unfortunately many trades unionists are undeterred by the manifest irrationality of some of the collective actions which their unions force them to undertake. A sort of altruism is, after all, at the heart of trade unionism. The railwayman who refuses to move from one part of the Paddington parcels office to another may do himself no good, but he may believe that he is thereby leaving a job open for one of London's unemployed.

Perhaps it is more realistic to assume that the underemployed railwayman who refuses to fill a vacancy may believe that the existence of over 10,000 vacancies in British Rail's staff will persuade the management to increase wages. Indeed higher wages are the ultimate solution to the problem of unfilled vacancies. But it is only possible to pay higher wages by increasing revenues. And the way to increase revenues is to improve the service and raise output. British Rail has stated explicitly that its plans for increasing productivity depend solely on raising traffic, rather than on cutting staff. Thus the unions' resistance to more rational working practices actually reduces employment, as well as keeping down real wages and undermining the standards of service.

Confusion

When the broader consequences of unreasonable union actions are explained by governments, economic commentators, or managers, the unions' altruism suddenly disappears. The truth seems to be that Britain's trades unions are in a state of confusion about their functions, their methods and their ultimate objectives. Lacking a clear sense of direction, without any faith in their own "alternative economic policies," worried about the "threats" posed by technology, riven by petty organisational squabbles and inter-union disputes, they are left with only one aim—to preserve the status quo wherever they can, irrespective of the costs to their members and the country as a whole. A conservative trades union movement, deeply suspicious of all change, can be as damaging to the economy as any "revolutionary" group.

Elections in Pakistan

THERE IS a widespread belief in Pakistan and abroad that if a free election were now held in the country the military regime of President Zia-ul Haq would be thrown out. It is evidently a belief that General Zia shares. His hints on Tuesday that the general election scheduled for mid-November might have to be postponed were based on the hollow and too often heard argument that the nation's ideology and integrity could be under threat.

More to the point is that General Zia fears that an election could result in the return to power of the Pakistan People's Party (PPP) for the execution of whose former leader, Mr. Bhutto, the regime is widely held responsible. In further postponing it he risks exacerbating the divisions of an already unhappy country and of lighting a torch to a popular movement of street agitation that could eventually overthrow his regime in a wave of violence.

Popularity

Under General Zia's original schedule elections were to have been held 90 days after he took power in a coup in July 1977. But the timetable slipped once it became clear that a Mr. Bhutto back on the campaign trail would bring to account those in the army who had overthrown him. Neither Mr. Bhutto's trial on a murder charge nor the White Papers that the government published to record his misdeeds in power had the sought for effect of diminishing his popularity.

Not unsurprisingly his execution last year earned him a martyr's crown. The opposition parties who in 1977 welcomed army intervention and the deposing of Mr. Bhutto, have since withdrawn their support as General Zia has repeatedly put off elections or so manipulated the terms on which they would be held that they could no longer conceivably be deemed fair. As a result General Zia's regime has grown increasingly isolated within the country. It is possible that his own position is becoming more isolated within the army.

From the start the risk of military intervention was that it would simply muffle without solving the political problems that have haunted Pakistan since independence and which demand a political solution. General Zia has been no more successful than the three military regimes before him—or indeed previous civilian administrations—in finding a satisfactory balance between the demands of the provinces for more autonomy and the claims of the central government for sufficient power to hold the country together.

He has imposed on the country a fundamentalist interpretation of Islam which, even though Pakistan was founded as a Moslem state, many Pakistanis find is too extreme. His regime has brought the army—which has traditionally believed that it has a special role as defender of the nation's integrity—into disrepute by the oppressiveness of its rule.

The prospect of continuing instability in the country is a disturbing one for the west because of Pakistan's obvious strategic importance at a time of upheaval and uncertainty in Iran, Afghanistan and the Gulf. General Zia would like the west to see Pakistan as a friend on who it can count in such circumstances—and there are many in the west who would like to think of Pakistan as such.

Distrust

General Zia's regime is further distrusted abroad because of its attempt—over which there is little doubt in spite of official denials—to gain a military nuclear capability. The U.S., which otherwise would like to aid Pakistan, has in protest cut off aid.

Other western Governments, whether because of doubts on this score or over the regime's political and economic policies are also stalling over the rescheduling of Pakistan's overseas debt repayments. All this unfortunately exacerbates the regime's difficulties and the country's isolation. But General Zia should realise that military rule is prolonging the impasse and that elections are preferable to provoking the power of the street.

Peter Riddell, Economics Correspondent, previews next week's IMF/World Bank talks in Belgrade

A note of oriental fatalism about the world economic outlook

THE world is condemned to another few years of rapid inflation, sluggish output and high unemployment and there is little that any government or policymaker can do about it. That is the predominant view among the finance ministers, central bankers, officials and commercial bankers, assembling in Belgrade this weekend for next week's joint annual meetings of the International Monetary Fund and the World Bank.

This note of almost oriental fatalism is coupled with considerable nervousness following the renewed currency crisis of the last few weeks. There are unlikely to be any grand plans or recommendations coming out of the week apart perhaps from a further push forward for the idea of a substitution account to take dollars out of circulation (as discussed in the accompanying article). But this will not inhibit gossip, speculation and informal discussion. Indeed, there is likely to be considerable debate both among and between officials and bankers about the best way of dealing with the problems posed by the rise in oil prices and the approaching recession.

The current widespread pessimism is in marked contrast to the cautious optimism of a year ago. The hope then was that the industrialised countries might be heading if not for a faster overall growth rate then at least for more evenly balanced expansion with consequently smaller current account surpluses and deficits. Some of these hopes have been fulfilled in the sense that the rate of economic growth by the U.S. has slackened and its current account deficit has fallen while the surplus of West Germany has dropped and, in the case of Japan, disappeared entirely.

Yet this limited progress has been oversbadowed by a deterioration in the overall economic outlook. The resurgence of inflation and the beginning of the recession, especially in the U.S., predated the Iranian revolution and the sharp rise in oil prices. However, the increase in energy costs has significantly aggravated these difficulties.

The result is that the overall rate of output growth has started to slacken and the rate of consumer price inflation has accelerated back into double figures in the big industrialised countries. But the gloom should not be exaggerated. This is not a repeat of the mid-1970s.

The Bank of England—not a naturally optimistic commentator—said in its recent quarterly bulletin that the wage/price spiral was unlikely to be as marked as in 1974-75. This is partly because labour markets are now much slacker and partly because governments appear to be taking a tougher stand against inflation. Similarly, the slowdown in output may also be less marked than in 1974-75. Apart from the smaller size of the latest oil price increase in real terms, it has not come in the wake of a strong synchronised economic upturn; nor is there generally a speculative build-up of stocks to be reversed as in the last recession, though the latest U.S. statistics have started to reveal substantial inventory accumulation.

But all this is of scant comfort since it means a continuation of what is inelegantly known as stagflation. Commenting on the possible policy response the recent IMF annual report noted that "gradualism as an approach to the reduction of inflation and deflationary expectations has been too gradual—in many countries, to the point of no reduction at all." "However, it would also appear that governments have in practice no alternative but to stick with the established strategy and . . . try to make it work more effectively." This "many sided strategy" is seen as involving traditional monetary and fiscal instruments along with suitable incomes policies and increased emphasis on measures to effect structural adjustments.

This view has, however, been questioned by the Secretariat of GATT (General Agreement on Tariffs and Trade) in a recent report on trade prospects. The report argues that the conventional approach tends to immobilise policy-making since it is believed that any economic stimulus would pose the risk of increased inflation while resolute anti-inflation action might increase unemployment. GATT argues that this reflects a mistaken belief that current problems are due to a failure of aggregate demand rather than to problems of supply. Hence "the macro-economic policy impasse is due to an analytically ill-founded view of the short-term costs, in terms of lost employment and output, of a more determined anti-inflationary policy."

A less clearcut view is likely to emerge from next week's discussions. In contrast to the international meetings of the 1975-78 period there are likely to be no recommendations to particular countries to take particular actions—no more "convoys" or "locomotives."

Instead much of the discussion is likely to concentrate on the problems of the non-oil developing countries which may be particularly hard hit by both the rise in oil prices and the recession. The problem is not only the expected size of their current account deficit—more than $40bn forecast by the IMF for 1979 against $31bn last year—but also the constraints of the substantial external debts accumulated to finance deficits of more than $140bn in the past five years.

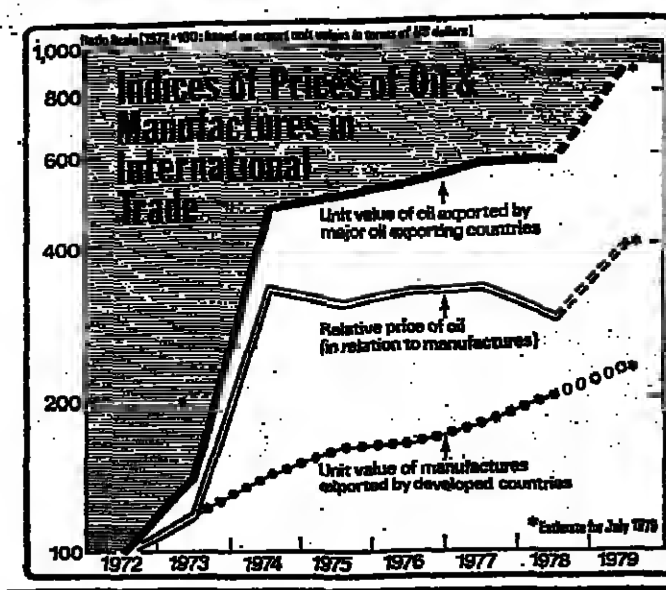
The situation varies enormously from country to country. Some larger ones which are rapidly industrialising—such as Brazil and North Korea—are relatively well-placed but others, including some smaller developed countries, are having to use an increasing proportion of their export earnings to pay debt interest. In recent years these countries have found it easy to borrow abroad and indeed it is still a borrowers' market with the world's major banks eager to lend.

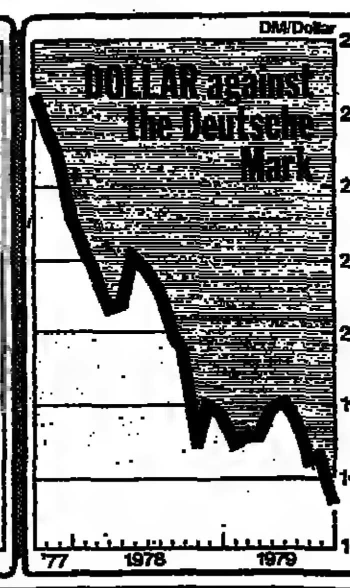
The increase in oil prices has meant that the oil producing states have more money available to finance the higher deficits of the less developed countries. But the re-cycling process is far from perfect and the already large indebtedness of some countries has led to worries about the position of both borrowers and lenders. There has been a good deal of discussion about ways of instilling caution. This has become involved with the debate about whether there should be closer regulation of international banking. This involves both controversial suggestions about the desirability of controlling the Euromarkets and more widely accepted ideas about closer supervision for prudential purposes.

In contrast to the growing involvement of the banks with the less developed countries, the IMF's role has not been as great as it might have wished. Most countries prefer to raise money from the commercial banks rather than go to the IMF in view of the conditions and close scrutiny of policy involved in any sizeable IMF loan. The result is that the IMF's loan facilities are at present underused and plenty of money is available.

The snag is that many countries only go to the IMF under duress when they are in considerable financial difficulties—for example Turkey and Zaire—and major and unpalatable policy changes are required. This has led to lengthy discussions about the need to improve links between the banks, the IMF and borrowing countries. These talks have focused on suggestions about exchanging information but so far little has been achieved because the borrowing countries have been reluctant to allow information collected by the IMF to be shown to commercial banks.

The IMF is certainly trying to extend the scope of its lending away from solely short term finance for temporary balance of payments difficulties. It is now increasingly lending for longer periods in recognition of the medium to long term nature of the current account problems of some less developed and smaller industrialised countries. But the IMF is likely to play a less central role than some of its supporters would like.





PAYMENTS BALANCES ON CURRENT ACCOUNT

(U.S.$bn)

	1973	1974	1975	1976	1977	1978	1979
Industrial countries	19	−4	25	7	4	33	10
More developed primary producing countries	1	−14	−15	−14	−13	−6	−10
Major oil exporting countries	6	68	35	40	32	6	43
Non-oil developing countries	−11	−30	−38	−26	−21	−31	−43

Source: IMF

The substitution account gains ground

By JUREK MARTIN, U.S. Editor

THE SUBSTITUTION account is an idea which has been kicked around international financial circles for many years but whose time, it appears, has now come. With the United States now having finally withdrawn its objection to the plan in principle, next week's IMF meeting will authorise a detailed blueprint of the workings of the scheme to be drawn up for formal presentation at next spring's meeting of the IMF's interim committee in Hamburg. Disagreements still persist over some of the technicalities but it is thought these can be reconciled during the next six months and a new, enhanced role for the IMF introduced into the international monetary system.

The substitution account is a simple concept, but complex to execute and with potentially far reaching implications. Under it, countries wishing to diversify their reserve holdings would deposit unwanted currencies (in effect, the U.S. dollar) and receive, in return, an interest-bearing claim on the IMF denominated in Special Drawing Rights, the IMF's "paper gold" currency instrument.

The virtues of the substitution account essentially depend on how you look at it. For those countries which feel more vulnerable because of large reserve dollar holdings at a time of monetary turmoil, the switch from dollars to an SDR-denominated bond offers greater security; those who believe that the cause of monetary stability would be enhanced by a wider role for the SDR can also take satisfaction.

Those who oppose the creation of still more international liquidity in an inflationary era can accept the fact that the substitution account—unlike IMF quota increases or special issues of SDRs—does not do this.

Its vices are more potential than actual. There is the fear that in condoning a gradually reduced reserve role for the dollar the U.S. will feel commensurately less obliged to pursue internationally responsible economic policies. There also remain misgivings about further enhancing the role of the IMF as international banker. Mr. Anthony Solomon, the U.S. Treasury Under Secretary, remarked last month that it was not presently "politically realistic" for the industrialised world to contemplate ceding national authority over economic policy to an international body. But he added, pointedly, that sooner or later the issue would have to be faced.

The IMF could take one huge step in this direction were the substitution account to be opened to private as well as official holders of foreign currencies. There is a school of thought inside the IMF which, while acknowledging the large risks of such an operation, inevitably resulting in closer connections with the commercial banking sector, believes that this bullet is better bitten now than later. But from a political as well as practical standpoint, the account is more likely to have a relatively modest beginning, confined to the official governments.

There are clear dangers in creating an account that is either too small or too big: if the former, it will make only a negligible contribution to international monetary stability, if the latter—and if fully used by member nations—it could have too revolutionary an impact for the battered, existing system to absorb. Official foreign exchange reserve holdings in May stood at SDRs 231bn (nearly $300bn), of which about 80 per cent are dollar denominated. In the face of these amounts, the U.S. prefers a more cautious approach, with the account initially having a ceiling of only a few billion dollars, but some IMF staff estimates of its desirable size range as high as $40bn.

The U.S. also prefers that participation in the account should be voluntary but that support for it must be "broad and genuine," in Mr. Solomon's words, and represent "a lasting move towards the SDR and not one to be reversed if circumstances change." A key element of this—and still to be resolved—is the interest rate that the SDR bonds would pay. SDRs themselves currently yield 80 per cent of the average return on Treasury Bills in the ten largest industrial countries, a figure which may have to be raised for the SDR bonds in the substitution account.

Other unresolved issues include future enlargement of the account, and any rules that may govern subsequent trading by governments of SDR-denominated bonds, both between themselves and, conceivably, to their own national private sectors.

MEN AND MATTERS

Hogg prepares for a new leap

Yesterday was one of the two most memorable days in the life of Christopher Hogg. He recalls the other with great clarity, although it was almost a quarter of a century ago: "On November 5, 1956, I parachuted down on Port Said during the Suez crisis." Hogg was a national serviceman then; he has now been appointed chief executive of Courtaulds, at the age of 43.

"I hope I'm not risking my life a second time," he says. But to become head of Courtaulds, facing textile import threats at home and daunting export problems, is certainly going to call on every ounce of his resilience. Hogg replaces Sir Arthur Knight, retiring at 62; but it is Lord Kearton, who re-shaped Courtaulds, against whom he is likely to be measured.

Kearton brought him into the group from the Industrial Reorganisation Corporation, where they first met: in the ten years since then, Hogg's rise in Courtaulds—current sales £1.6bn a year—has been irresistible. Colleagues regard him as an outstanding example of a new generation of British industrial leaders.

Although he is a graduate of the Harvard Business School and merchant banking, Hogg also offers some comfort to those who feel themselves educated on the more impractical side of the two cultures. He read English literature at Oxford.

He has also refused to accept the limousine image of big business. He usually cycles to his Hanover Square office from his home near Notting Hill Gate. "Twenty minutes through the back streets gives me some fresh air and exercise. It is quicker and cheaper than the Tube."

"If the fares go up any more they'll achieve it sooner than they think."

Testing brand

The Government's attempts to infuse new life into British industry is reflected in the reorientation of a rather stodgy magazine called *Trade and Industry* (circulation 14,000), official weekly organ of the Departments of Industry and Trade.

Already priding itself on being self-supporting, it is distributed quite widely abroad and is now experimenting with a special overseas edition, retitled *British Business*. It is, at this stage, the mixture as before with a different cover, but a transformation is promised. "We have been conscious for a long time that we need to project a brighter image abroad," says managing editor Alan Williams. "We had a lot of requests from colleagues in embassies, especially in Germany and the U.S., for us to say something positive about British industry. We've sent samples overseas. I'm rather surprised you got a copy. HMSO must have muddled up the subscription lists. They're always muddling up the subscription lists."

Such hiccups aside, the new look *British Business* may, if successful abroad, eventually supplant *Trade and Industry* in Britain too.

On the front cover of the latest issue is a photograph of the Post Office's new System X which no-one seems to understand but which is said to have gone down well in Geneva—a good omen?

Prof. provoked

The ins and outs of the jury vetting process may by now have defeated even the most assiduous readers, none more so than economist Professor David Myddleton of Cranfield School of Management. One of the dozens of good men and true called up for service during the anarchist trial now taking place at the Old Bailey, he was not among the first batch of 12. But, the defence having objected to a large number of these, he found himself among the ones sent in to replace the rejects. More potential jurors were objected to by the defence. Then, much to Myddleton's astonishment, he became the first juror to be asked to stand down by the prosecution.

Still rather bewildered by this, Myddleton—24 hours later—says he feels "a bit insulted" and in any event curious about what could possibly disqualify him. His only clue is that he once wrote a book of laissez-faire tendency called *The Power to Destroy*. The sub-title: *A Study of the British Tax System*.

War of the air

Those associated with television have long distrusted mere words, so it is natural that Jack O'Connor, national television organiser for the Association of Cinematograph, Television and Allied Technicians, should want to move his dispute into the forum with which he is most familiar: people sitting around in a studio with cameras pointing at them. "We want to make the facts of this dispute public," he says, *with apparent indifference* to the bewildering mass of claims and counter-claims inflicted on the public every morning.

But O'Connor may ironically have his wish. The ITV companies say cautiously that "they would probably be prepared to consider a television offer from the BBC seriously." And the BBC, for its part, seems not averse to the index. However, the decision on whether it would make, as they say, "good television," is being left to any individual programme editor who feels like inviting the adversaries along.

Lurking Livia

The invitation extended to the entire Board of Dalgety to become credit customers of the new Spillars-owned restaurant in the City, the Villa Augusta, is informed by a blacker sense of humour than at first appeared. The restaurant may, as advertised, be "elegant and spacious . . . typically Italian . . . cool and relaxing with its Terrazzo tiled floor," but I note that it also contains a private dining room named the Livia Room.

This distracts somewhat from that soothing floor. Livia, as viewers of the television serialisation of *I Claudius* will remember, is best remembered for her skill in poisoning people. She was also never coy about dealing with takeover bids not to her taste.

Inner workings

A colleague attending a seminar this week was gazing in some perplexity at a wall chart setting out one of the government's more abstruse economic difficulties. An academic figure beside him suddenly remarked: "It is hard to imagine the problem to which that could possibly be the solution."

Observer

FINANCIAL TIMES SURVEY
Friday September 28 1979

Banking and Finance in Luxembourg

Developments in the world's financial and currency markets have blessed the tiny land-locked Grand Duchy of Luxembourg with an international status which is a phenomenon of modern times. It has become a major centre for the Euromarket, the host for offshoots of Europe's leading banks and the repository for extensive portfolio investment.

Basic business of the Duchy

By Nicholas Colchester

THE GROWTH of Luxembourg as a banking centre has eclipsed even the rapidly mounting figures for international bank lending. Between 1965 and today the balance sheet total of all banks in Luxembourg has increased one hundred fold to $100bn. This compares with the total of $280bn for all foreign banks operating in the City of London.

The result is that banking is now the basic business of the Luxembourg economy. The corporation tax paid by banks last year accounted for four-fifths of all the corporation tax collected. The subsidiary of Dresdner Bank is the Grand Duchy's largest tax-payer. Bank corporation tax provided 15 per cent of the total tax revenue last year, and this ignores the income tax paid by banking staff. They are 7,000 strong and account for almost 5 per cent of the working population.

As with the price of gold in recent weeks, the persistent question is how much longer the rise in Luxembourg's banking fortunes can continue. As with the price of gold it is an equally foolhardy man who would call the turn, for current banking developments in Luxembourg defy the fundamentals.

So far this year 11 new banks or bank branches have opened in Luxembourg taking the total to 108. At the same time during the first half-year the balance sheet total of all Luxembourg banks has been growing at the giddy annual rate of 35 per cent—and this at a time when according to BIS statistics growth in the Euromarkets as a whole has fallen right away.

These facts defy the fundamentals because 1979 is a year of complaint in the international banking business and a year when a long-term threat has loomed above off-shore banking centres in general. It is also a year when the status of the dollar, the basic international banking currency, is under pressure.

The complaints arise because there is a distinct feeling that the international banking business is becoming over-populated. Once again the margins that banks can earn in making international loans have been squeezed to the level they reached before the collapse of the Herstatt Bank—to a point where loans can be considered profitable only if viewed in an optimistic light. With margins going one way and costs emphatically the other, this is not a time when one would expect to see an influx of new banks into Luxembourg.

The long-term threat is much more nebulous and is probably not sufficient to influence this or that specific plan to open a new banking subsidiary. But it is certainly exercising the minds of banking supervisors in the international banking centres. This year has been one of lively discussion of "control of the Euromarkets" and "supervision of the international banking system."

Abandon

The idea of controlling the Euromarkets usually implies some form of international imposition of reserve requirements. Fortunately for Luxembourg this idea, after a brief airing at the turn of the year, has since apparently been abandoned as impractical. It would have gone to the root of Luxembourg's banking prosperity. German banks, which account for half of the Luxembourg banking balance sheet, have arrived very largely because of reserve requirements levied on foreign deposits in banks in Germany.

The move towards a more standardised concept of supervision appears at the moment to be going ahead slowly and this might affect Luxembourg in the long run. Current thinking suggests that banking authorities in any country should start to supervise their banks on the basis of their internationally consolidated balance sheets rather than just their domestic ones. If this idea were to develop it would gradually reduce the advantage of setting up banking subsidiaries in more liberal offshore centres.

Luxembourg's banking authorities have to tread rather delicately at a time like this, just as the Bank of England must. It is therefore most encouraging for the Luxembourg Government to see the growth in banking business continuing without artificial stimulus. The inference is that Luxembourg as a banking centre has reached some sort of "critical mass" where the attractions for banks are not just a matter of regulatory opportunism but owe much to the city's emergence as a marketplace offering contacts, and even types of business, which they cannot get elsewhere.

Take S. G. Warburg for instance. British banks are noticeable absentees from Luxembourg, mainly because they have an international banking centre at home. But Warburg, the British merchant bank, has taken a share in a new joint venture in Luxembourg to benefit from closer contact with the well established German banks and with the new wave of Scandinavian banks which arrived recently for regulatory reasons. The hard currency Eurocurrency markets are a lure as well.

Or take America's Manufacturers Hanover Trust (MHT), which is shortly going to open a subsidiary in Luxembourg. On the face of it the attraction of Luxembourg for U.S. banks would appear to be in decline. The number in Luxembourg reached a maximum of 17 in 1973 before falling to the current total of 13.

The U.S. banks have tended to concentrate their Euromarket activities in London. But MHT has now decided to come to Luxembourg because it wants access to the Euro-D-Mark market, to participate in syndicated loans organised within Luxembourg, and to benefit from a double-tax treaty which Luxembourg is now establishing with Brazil.

Other examples of the same story are given within this survey and they add credibility to the Banking Commission's contention that the banking business in Luxembourg has become self-regenerating. The Commission points out that a third of the interbank business of the Luxembourg banks now takes place within Luxembourg against a sixth five years ago and a twelfth five years before.

Surprise

As in the international bank lending market as a whole this interbank component is now a surprising half of the lending total — a half on which presumably no overall profit can be made. But the growing proportion within Luxembourg does suggest the existence of a marketplace rather than a place where a number of banks go about their separate businesses.

The steady rise in the appeal of the Deutsche Mark (DM) as one of the world's reserve currencies is undoubtedly one of Luxembourg's strongest suits. The lion's share of the Euro-DM market is now deposited and re-lent from the Duchy.

At a time when currency diversification by central banks is showing no sign of stopping this is a most valuable market for Luxembourg to have cornered. It does, however, mean that relations between Luxembourg and Frankfurt become doubly delicate as Germany's Bundesbank is most uneasy about the D-mark's reserve role.

Such developments make it possible for Pierre Jaans, the banking commissioner, to stress quality rather than quantity in tending Luxembourg's banking sector. A calm and competent young man of 42, whose career embraced ten years at Germany's Bundesbank, he states squarely that Luxembourg is no longer competitive as a booking centre because taxes are too high.

Nor, in discussing the continuous debate about supervision of international banking, does he pursue a particularly reactionary line. He is in favour of the principle of consolidation of parent bank balance sheets.

As to whether solvency and liquidity ratios should then be applied to these consolidated figures he says diplomatically: "It's a policy question for governments whether they want their banks to be competitive in international financial markets or keep their banking industry at a level which strictly matches domestic needs."

He does not oppose the notion of a measure of international agreement on the banking ratios applied. He supports the idea of a central risk-vetting agency, perhaps based at the Bank for International Settlements in Basle, which could monitor the credit standing of borrowers. Asked whether such moves towards standardisation might threaten Luxembourg as a banking centre he replies philosophically: "Markets change and we must produce what the market requires. There is no point in producing steel which no one wants."

Attractions

His move towards the creation in Luxembourg of a market in Eurocurrency Certificates of Deposit (CDs) certainly does not indicate any unseemly haste on the part of the authorities to add to Luxembourg's attractions. Last year the Government abolished the 0.2 per cent stamp duty payable on each transaction, but since then the Banking Commission has bided its time.

The authorities have left an important deterrent in place—CDs must currently be registered rather than "bearer" if they have a face value of less than LFr 7.5m. The Commissioner is prepared to change this rule when the Luxembourg banks "have produced an internationally credible, acceptable formula for issuing and trading CDs." At the start it seems that Euro-dollar CDs are going to be the only ones to emerge. Much as investors might like to buy Swiss franc and Deutsche Mark CDs, the German and Swiss central banks would take a very dim view of such a development.

Central banks, with the exception of America's Fed, are still more sensitive about the development of offshore security markets denominated in their currencies than they are about Euro-money markets. Partly because of this Luxembourg plays a relatively small part in the international securities market. Its own particular group of investors, mainly in Belgium, has been losing interest in the only currency which Luxembourg banks can freely deploy—the dollar.

There have been issues of Deutsche Mark securities from Luxembourg but the Bundesbank recently asked German banks to cut right back on such activity. So instead of being a major issuing and trading centre Luxembourg has concentrated, successfully, on providing the procedural basis of the international securities market.

What can the authorities and the established banks do to protect and further improve Luxembourg's place in the financial market? Good relations with the authorities in Belgium and West Germany are clearly vital. For all the diversification which has taken place the German connection remains as fundamental as ever to Luxembourg's prosperity.

Bankers agree that Luxembourg is insufficiently developed as a centre for investment management. Some suggest

CONTINUED ON NEXT PAGE

BANKING IN LUXEMBOURG II

Euroloan margins arouse caution

A PAINED EXPRESSION flits across the face of Luxembourg Eurobankers when the conversation turns to one of their particular preoccupations—the continued easing in borrowing terms for syndicated Euromarket credits.

With margins over interbank rates now down to ½ to 1 per cent for the overwhelming majority of borrowers, and maturities stretched out in some cases to 10 to 15 years, bankers say the slide in conditions can hardly go any further. They protest that many deals put together over the last few months leave the banks with hardly enough margin both to make a reasonable profit and also to put aside sufficient provisions for risks.

This has meant that many international banks, even the usually aggressive Japanese, are starting to vote with their feet by turning down invitations to participate in the lower-priced credits—giving rise to speculation, for the umpteenth time over the last two years, that the turning point in loans conditions may be just around the corner.

Optimism that the downward spiral in loan terms may be coming to an end is tempered however, by a considerable number of clouds on the average Luxembourg bank's horizon. There is general disquiet at reports that U.S. banks active on the Euromarket may become more aggressive in bidding for credits because of the fall-off in domestic loan demand caused by the onset of recession.

Rash

Bankers complain that many borrowers are becoming increasingly sophisticated at extracting maximum benefit from the presently over-liquid market. This has been partly responsible for the rash of refinancings and early repayments of outstanding Eurocredits over the past few months, as borrowers scramble to take advantage of the drop in margins and lengthening of maturities.

Although the Japanese have become less aggressive, principally at the behest of the Tokyo Finance Ministry, competition on the whole remains strong—including from a number of relatively newly-established German banks in Luxembourg anxious to flex their muscles on the international scene.

Overlaying everything is disquiet at the growing international leaning among central banks and supervisory authorities towards tighter control of the Euromarket.

Luxembourg can scarcely hope to insulate itself from the general regulatory climate, despite the justified desire of the Finance Ministry and Banking Control Commission to retain sovereignty over the administration of Luxembourg banking.

Bankers point out the unlikelihood of dramatic new measures to increase the activities of the International Monetary Fund or other official institutions in financing balance of payments deficits. So it appears as if the banks themselves are once again going to be called upon to finance a good part of the payments disequilibrium resulting from the re-emergence of the OPEC surplus.

At such a time, say the banks, it is hardly sensible or justified to saddle their operations with greater regulatory costs and restrictions—an attitude which, to be fair, some of the central banks share as well.

Faced with the slump in margins and the lengthening of maturities over the past couple of years, Luxembourg banks have responded basically in one of two different ways. The larger German banks which had already built up considerable international reputations as managers of syndicated credits have tended to draw in their horns a little, becoming more selective about taking on lower yielding business in the hope of maintaining some spare capacity for an eventual improvement in terms.

Others—mainly the smaller German banks relatively new to international business, as well as some of the other Luxembourg institutions with only fairly modest roles in Euromarket transactions — have expanded their activity. Their hope has been to compensate for lower interest rate yields with greater volume and—especially important—higher fee income from management positions.

Particular examples of this second type of response have been provided by DG Bank, the central bank of the German co-operative banking system, which has been placing full emphasis on its Luxembourg operation only since last year. The bank has acquired something of a reputation for aggressive bidding for management positions, and this spring surprised—and in some cases shocked—the rest of the banking world by winning the mandate for the $400m Eurocredit for Eletrobras, the Brazilian utility, at what were then extraordinarily fine terms for a Brazilian borrower. (Since the credit was arranged, terms for Brazil have in fact shrunk even further.)

Kreditbank Luxembourgeoise, one of the few Belgium/Luxembourg institutions in the Grand Duchy to have much of a share of Euromarket business, has followed a broadly similar path. As a result of a more active search for management positions—especially involving credits for European borrowers like Portugal with which it has traditionally close connections—it expects fee income to rise by 40 per cent this year, and is budgeting for a 50 per cent rise in 1980.

The borrowers' market has also led to a certain number of similar responses among both categories of banks. Both sets have stepped up the search for specific borrowers which offer either an exceptional yield advantage, novelty value or some other specific advantage.

Active

Portugal, which has good connections with European banks and is also not adverse to paying slightly better rates than other borrowers of similar standing, has been a fairly active fund raiser in recent months.

Belgium, although commanding very fine rates (some of its short-term borrowings have been at interest rates scarcely above interbank levels), has also been a relatively welcome borrower. Both because of the natural goodwill enjoyed by Brussels on the Luxembourg banking scene, and because of the relative rarity of foreign loans by the Belgian authorities, the government has raised fairly noiselessly through Luxembourg banks a good proportion of its overall external financing of some $1.5bn this year.

The enthusiasm of the Grand Duchy's banks for export-related business has always been strong. But during the bout of margin cutting, the desire to get credits on to the books which offer a business tie-up with German exporters has grown even further. Many of the large Deutsche Mark credits put together in Luxembourg over the past two years—for countries such as Bulgaria, Poland, Portugal, Mexico and Brazil—have been tied up with export financing.

The same can also apply to dollar loans—the three large syndicated credits arranged in dollars by Dresdner Bank for Comecon's International Investment Bank were partly earmarked for imports of German equipment for the Orenbourg gas pipeline project. And in April, Argentina signed one of the largest D-Mark Eurocredits ever arranged—a DM 740m loan, syndicated principally in the Grand Duchy, covering the purchase of German engineering goods. The chance to participate in these export-orientated D-Mark credits has, in fact been one of the main reasons behind the rush of smaller German banks to Luxembourg over the past two-and-a-half years.

Other large Deutsche Mark credits have been put together simply for balance of payments purposes, with Denmark a notable borrower in this type of transaction over the past year or so. Most of the German banks take pride in their relatively independent status in Luxembourg, and say they are equally at home with dollar as D-Mark loans.

But there is no doubt that the decisions—at least for the larger credits—are made at the head office of the parent bank rather than in the Grand Duchy. It is also clear that should general refinancing difficulties on the Euromarket ever arise, the parent banks would have to stand behind the subsidiaries.

As fundamentally D-Mark, rather than dollar-based banks, they would be expected to be in greater difficulties than U.S. institutions during a general dollar shortage.

For this reason, banks have a natural enthusiasm for providing D-mark financing. Some of them have given considerable publicity to the idea of all-Luxembourg syndications for D-mark credits, using a reference interest rate based on "Luxibor" rather than "Libor."

It is true that Luxembourg is sometimes especially suited as the fund-raising centre for certain loans—for instance in deals with an East European borrower, or where the legal documentation is in German rather than English. But otherwise some bankers rather scoff at the "Luxibor" approach as something of a gimmick—a self-advertising campaign that a completaly established centre like London or New York would not go in for.

However, the fundamental factor mitigating against D-mark financing has always been borrowers' distrust of the super-hard German currency. Even at times when D-mark interest rates have been up to five points lower than those on dollars, the fear of currency appreciation has been something that many borrowers have found hard to shake off. However, corporate fund raisers, such as multinational companies and airlines, with large revenues in D-marks, as well as Governments of countries with increasing exports to the Federal Republic (as well as increasing amounts of D-marks in their reserves), have never been averse to borrowing marks.

Some bankers also feel that borrowers should take more advantage of multi-currency clauses in syndicated loan agreements which allow a currency option for the drawings made at three- or six-monthly intervals. One banker points out that, taking into account the relative stability of the dollar this summer and the huge dollar-DM interest rate differential in the spring, borrowers who in March had been sophisticated enough to take D-marks rather than dollars for a six-monthly tranche of a syndicated loan would have made large savings in interest rate outlays.

Maybe so. But, as another banker ruefully puts it: "If borrowers get any more clever at playing the market, we won't be making any money at all."

David Marsh

Business

CONTINUED FROM PREVIOUS PAGE

that the confidentiality and numbered accounts offered by Luxembourg are not widely known. The problem here is that as an EEC member Luxembourg will not be able to avoid such EEC disclosure requirements as are imposed.

Yet even without stressing secrecy more might be done to attract investors and investment managers to Luxembourg. The country is well placed to do investment research and provide statistics on the banking and securities markets. Yet it has no reputation in these fields.

Luxembourg is also hard-pressed in providing the amenities and manpower necessary in a city which hopes to develop as a fully fledged banking centre. The hotel system—vital for visiting bankers and clients—is inadequate. One of the big Luxembourg banks would do well to follow the example of Switzerland's Credit Suisse in Zurich and develop a first-class hotel in the financial heart of the town. Housing is said to be hard to find.

Bankers report that staff, particularly English-speaking, are in short supply and therefore expensive. Mr. Edmond Israel, director of Banque Internationale à Luxembourg, says that Luxembourg is now making a conscious effort to educate its young people in the necessary skills.

Finally, Luxembourg would benefit from an increase in the small number of double taxation agreements with other countries, or with an improvement to the internal fiscal alternative. Its Government has already made a move in this direction, allowing banks to claim tax credits in Luxembourg against witholding tax they have paid in other countries which do not have double-tax arrangements in Luxembourg. Bankers view this as an important development, but claim that the current system is still too restrictive.

اهكذا من الذي هو

Notable market in Euro-Marks

LUXEMBOURG's growth in Euro-currency banking in the last few years has indeed been impressive—and the size and activity of its 108 banks are if anything understated by the modest amount of neon lighting used to advertise their presence on the city's skyline.

The external foreign currency assets of the Grand Duchy's banks have risen at an annual average rate of 34 per cent over the last five years—easily outstripping the 20 to 25 per cent growth rates of the Euromarket as a whole. According to the latest Bank for International Settlements statistics (for March), the banks' external foreign currency positions have risen to $61.1 bn on the assets side and $57.0 bn for liabilities, accounting for 12.5 per cent of the European portion of the Euromarket on the basis of assets, and 11.3 per cent for liabilities.

The proportions are up from 10.9 per cent and 10.7 per cent respectively at the end of 1978 —and represent a near-doubling of Luxembourg's share of the Eurocurrency market since 1973.

This growth seems to have continued into the summer. The overall balance sheet total of all Luxembourg banks rose by about 17 per cent in the first six months this year to about $100bn (of which about 88 per cent is denominated in foreign currencies).

This is somewhat higher than the underlying growth of balance sheets during the previous few years, when totals have risen on average by about 25 per cent annually. And it comes at a time when the overall size of the Euromarket measured by the BIS statistics has fallen. The small decline in the first three months of this year was in fact the first quarterly drop since the post-Herstatt jitters of the third quarter of 1974.

The atypical behaviour of Luxembourg Eurobanking this year provides cause for both gratification and a certain amount of ease. On the one hand, the Grand Duchy has managed to build up its share of total Euromarket loans made to non-banks. The Luxembourg portion amounted to $33.6bn at the end of March, or 26.2 per cent of all such loans (against 25.7 per cent in December)— the highest proportion ever. On the other it is clear that a large slice of the increase in overall Euromarket business has been through a build-up in unprofitable inter-bank transactions.

A revealing figure from the Luxembourg Banking Control Commission is that, in June, 54.3 per cent of the banks' total balance sheet assets were in the form of claims on other banks, against 50.6 per cent at end 1978 and 50.3 per cent in June last year. It seems that at least for some of the banks, impressive growth rates in business volume have been fuelled more by the inter-bank merry-go-round rather than by increases in credit business.

Of total foreign currency business generated in Luxembourg, the dollar and Deutsche Mark each account for about 45 per cent, with the Swiss franc making the largest part of the rest. With 80 per cent of the overall Euro-DM market concentrated on the Grand Duchy, Luxembourg has acquired its reputation as a D-Mark centre. But now that the city is firmly established as the second most important Euromarket base after London, the banks are anxious not to become typecast.

The interest of diversification has been well served by the influx of new banks in recent years, adding to the traditional mix of West German, U.S. and Belgian/Luxembourg institutions. In particular, the Scandinavian and Italian banks which have opened in the last few years have brought new currencies and new sources of international business.

Scope

Two of this year's newcomers have provided particular scope for widened lending opportunities. The establishment in Luxembourg of the Bank of China and Bank Handlowy, the Polish foreign trade bank, has brought banks into direct contact with countries which look like being considerable borrowers of Euromarket funds for some years to come.

But however much the banks are keen to diversify their interests outside their own geographical area it is clear that, at least for the moment, the general orientation of Luxembourg bank lending is very firmly in the direction of Western Europe. About 70 per cent of the Luxembourg banks' total Eurocurrency assets are with this area, and 82 per cent of their liabilities—against corresponding figures for the total European-based Euromarket of 55 per cent and 57 per cent.

Whatever the pretensions of some of the Luxembourg subsidiaries of German banks about being "international" rather than German institutions, there is also no mistaking the basic cause of Luxembourg's growing importance as a Euromarket centre. It is mainly because of the D-Mark. The successive revaluations of the Germany currency over the last decade have strengthened the capital base of the Federal Republic's banks and given them more muscle in international financing.

The considerable German current account surpluses chalked up over this period, coupled with Bundesbank intervention to hold down its currency, have, in most recent years except this one, sharply built up banking liquidity. And the increasing use of the D-Mark as an international reserve currency—by governments and central banks as well as large private companies and institutions—has added enormously to the deposits at the German Eurobanks.

The Luxembourg subsidiaries of the big German banks have also been used in another way to strengthen the balance sheets of their parents. Over the last two years, all the big three institutions — the Deutsche, Dresdner and Commerzbank— have used their Euromarket subsidiaries to float medium-term Eurobond issues, denominated in both dollars and D-Marks, some of which have been convertible into shares. The proceeds have been added to the banks' general resources for international business.

There is no available figure for total Deutsche Mark deposits by central banks and other official institutions at the Luxembourg Eurobanks. Some estimates, however, put the amount of DM 20 to 30bn—most of it lodged with the big three banks and Westdeutsche.

Asked to give an indication, M. Pierre Jaans, the Banking Commissioner, merely smiles and says it is "not insignificant" —in the full knowledge that the growth in importance of the D-Mark as a reserve currency is a subject of concern for the top men at the German Bundesbank.

The German authorities have reluctantly seen the reserve role of the currency grow dramatically over the past few years It is now reckoned to account for some 10 per cent of total official foreign exchange holdings, taking the place as the world's second most important reserve currency which was occupied by sterling up to the early 1970s.

The largest part of the official deposits stems from developing countries in Latin America, south east Asia and Africa. OPEC nations are also represented—but most oil money is deposited in London or New York rather than Luxembourg, according to bankers. European countries such as Austria, Norway and Denmark, which are not bound by the gentleman's agreement within the Group of Ten and Switzerland prohibiting central bank deposits on the Euromarket, also have quite large sums on account with the German Eurobanks. And there are even signs that some of the Group of Ten members occasionally break their own rules and deposit either dollars or D-Marks with banks in the Grand Duchy.

At the start of the 1970s, when Luxembourg was only at the beginning of its period of rapid expansion, some central banks were reluctant to deposit funds in Luxembourg—even though interest rates were higher than in Frankfurt because of the absence of minimum reserve requirements —on the ground that the banks there were merely subsidiaries. This led to some parent banks issuing "letters of comfort" (Patronatserklärungen) guaranteeing the deposits held at their subsidiaries.

Liabilities

The practice was stopped a couple of years ago after the Federal Banking Supervisory Office, altered by the Bundesbank, laid down that guarantees given in this way would count as contingent liabilities of the parent banks, requiring them to make extra capital provisions.

Since then, the Luxembourg banks have more or less stood on their own feet. During the last few years of growing reserve diversification around the world, they have boosted rather than lost central bank deposits. And if the growth in importance of the D-Mark as a major reserve currency carries on into the future, this will probably be a principal reason ensuring continued expansion of Luxembourg as a Eurobanking centre.

David Marsh

Closely defined controls

LUXEMBOURG'S banking Commissioner M. Pierre Jaans does not lay great store by "comfort letters" — undertakings by parent banks that they will stand by their branches or subsidiaries in Luxembourg. "Our supervisory system aims at solvency in any winding up," he says.

The Inter-Bank Research Institute has prepared a detailed comparison of the bank regulations in the EEC countries.* It leaves the immediate impression that Luxembourg's controls are as complete as any in the EEC and are certainly more closely defined than those presently imposed in Britain by the Bank of England.

On the other hand, the comparison also makes it clear that in the matter of solvency ratios —the amount of capital that a bank needs as a proportion of its assets or liabilities—Luxembourg's minimum requirements allow banks a very competitive degree of gearing.

The Banking Control Commission was set up in 1945 and now numbers some 45 staff, of whom 13 are working on the supervision of the banking sector. Its brief stretches beyond banking, embracing investment funds and the issue and trading of securities. Before establishing itself in Luxembourg any bank has to satisfy the Banking Commissioner that its structure and management are adequate for its planned activities, and that the bank's internal control system is adequate. An applicant needs to have the sponsorship of two banks which have been operating in Luxembourg for at least five years.

Deposit

The initial capital has just been raised to a minimum of LFr 350m (£5.4m), of which a minimum LFr 250m must be paid up. In addition the bank is obliged by company law to build up a legal reserve. It must deposit at least 5 per cent of its annual net profit into this reserve until it amounts to 10 per cent of capital.

The Commission keeps control of banks by demanding a regular flow of reports from them. Every month they must complete a form telling the Commission of 100 different categories of assets and 100 of liabilities. They must also submit a report of their foreign exchange position on a monthly basis.

Mr. Jaans explains that the foreign exchange position of any bank must be "in reasonable proportion to its assets and earning capacity." This proportion is not laid down, but if any bank shows an open position equal to more than 30 per cent of its own funds reports are required much more regularly.

Two balance-sheet ratios are stressed—a solvency ratio and a liquidity ratio. The second of these insists that liquid and realisable assets must amount to at least 30 per cent of liabilities to the public. The first asserts that the ratio of shareholders' funds to current liabilities may be fixed at a minimum of between 3 and 10 per cent by the Banking Commission. Shareholders' funds must also cover fixed assets.

The minimum solvency ratio is currently set at the lowest possible figure, which allows Luxembourg banks to adopt quite a high gearing ratio in their lending. Mr. Jaans points out that the current average in Luxembourg is something over 3.5 per cent. He also hints that this ratio may be moved upwards.

Fifty per cent of funds raised through the issue of subordinated loan stock and with a remaining maturity of over one year, may be regarded as shareholders' funds for the purposes of the solvency ratio. This allows an even higher effective level of gearing to be achieved. But the bank needs specific permission to do this, and it may be refused if the Banking Commission finds that the bank is paying out (rather than re-investing) a lot of dividend. "Subordinated debt is regarded only as transient capital," says Mr. Jaans.

Banks have to prepare statements of profit and loss every quarter and since 1975 have been assessed at the same interval for maturity mismatch —an exercise which the Banking Commission copied from the Bank of England. There are no hard and fast rules for maturity mismatch but the Commission compares figures for different banks and talks to institutions whose figures are notably out of line.

Every year, before the annual results are published, each bank is visited by a team of 2 to 3 inspectors appointed by the Banking Commission. The Commission can insist on changes in a bank's operations, including personnel, if the results of this inspection are deemed unsatisfactory.

Nicholas Colchester

* *The Regulation of Banks in the Member States of the EEC.* (Graham and Trotman) price £41.

Home from home for German banks

THE ATTRACTIONS of a Euro-banking centre just a couple of hours by executive Mercedes from Frankfurt and Düsseldorf have turned Luxembourg into a profitable home from home for 27 German banks. They make up exactly one-quarter of the Grand Duchy's banking population, account for over 50 per cent of total balance sheet volume, and provide the largest single source of tax revenue for the Luxembourg Finance Ministry.

The German Eurobanks have registered prodigious growth rates in the recent boom years on the Euromarket. The five largest banks in Luxembourg, the subsidiaries of Dresdner, Dentsche, Commerzbank, Westdeutsche Landesbank and Bayerische Landesbank, have a combined balance sheet total of about $30bn—equivalent to an astonishing 14 per cent of the total balance sheets of their parent banks. And profits have risen commensurately. The Luxembourg subsidiaries, as wholesale banks operating with relatively low overhead and regulatory costs, provide the main reason why, for the main German banks, the proportion of profit stemming from foreign business has risen to around one-third in recent years.

But this year some of the gloss has worn off. Falling margins on Eurocurrency credits and large write-offs on the bank's holdings of Deutsche Mark bonds (whose prices have dropped sharply this year in the wake of higher German interest rates) have bitten into profits. There is a general consensus in Luxembourg that banks' net income is likely to show sharply lower growth this year—and may even drop in absolute terms for some banks.

Although banks' balance sheets are still showing healthy expansion, an increasingly large proportion represents interbank business rather than international loans. And all the time competition is growing—both in Luxembourg itself, where 11 new banks have opened this year, and—more importantly—on the Euromarket in general, where the rush into international loans by banks around the world has been a major reason for the sharp improvement in terms for borrowers over the past few years.

The migration of German banks to Luxembourg has taken place in two distinct phases over the past dozen years. The first bank from the Federal Republic to set up in the Grand Duchy was the Dresdner Bank in 1967, marking the banking industry's first cautious move back into the international sphere since the Second World War.

The go-to-Luxembourg spirit was maintained for the next few years, with the succession of exchange rate crises during the last years of the Bretton Woods fixed exchange rate system providing an important impetus.

Punitive minimum reserve requirements imposed on banks' foreign liabilities during periods of upward pressure on the Deutsche Mark, together with other measures taken to bar inflows of hot currency into the Federal Republic, made the attractions of minimum reserve-free banking in the Grand Duchy even more persuasive. By the end of 1973, out of the 80 banks established in Luxembourg, 15 were German—including most of the big names.

Then followed a period of stagnation, with the German contingent remaining unchanged at 15 for the next three years. The clouded world economic outlook in the wake of the oil price rise and the changeover to floating exchange rates made banks more cautious about expanding abroad. More specifically, the spectacular collapse of the Cologne-based Herstatt bank, caused by massive speculation on the foreign exchange market, and the large losses suffered by the Westdeutsche and Hessische Landesbanks through incautious expansion of their international business, served up dramatic case histories of how badly fingers could be burned.

Renaissance

Since the end of 1976, however, there has been something of a renaissance in the go-international spirit—a result of growing signs of saturation on the heavily-banked domestic market, the expanding role of the D-Mark as the world's second most important reserve and trading currency and increasing internationalism among German business in general.

At the same time as the larger German banks, already established in Luxembourg, have been enlarging their branch networks in such places as London, New York, Tokyo and the Far East, the smaller fry have been busy setting up in the Grand Duchy. In just over 2½ years, a further 12 German banks have started business there.

Most of the new recruits have been small to medium-sized private banks—in the wake of the Herstatt collapse five years ago, setting up abroad would have been the last thing on their minds—and public sector Landesbanks eager to follow the international trail blazed by Westdeutsche.

The three new banks to open up this year have been the Bankhaus Hermann Lampe from Bielefeld, the Westfalenbank from Bochum, and the Stuttgart Landesbank—none of them as they would be the first to admit, exactly household names on the world banking scene.

Some of the larger German banks, observing the eagerness of their less illustrious cousins to grab a slice of the Luxembourg action, are apt to shake their heads and ask why on earth they are coming—especially when international banking is providing leaner profits than a few years ago.

The answers, however, are always a mixture of the same ones that lured the likes of Deutsche, Dresdner and Commerzbank to Luxembourg a decade ago: the need to service corporate clients on their increasing incursions into the international field, and to broaden the general spread of business at a time when the room for profit expansion at home looks very slim indeed.

A primary advantage in dealings with domestic clients is provided by the absence of minimum reserves in Luxembourg. (In Germany, the Bundesbank levies a reserve requirement—averaging out at about 8 per cent of the deposit—on all banking liabilities of under four years maturity.) This together with the lower overhead costs of running a Luxembourg operation, means that banks can drastically reduce the margin between deposit and lending rates compared with those in Germany.

This year, however, this sort of funding activity has been much more muted. As a result of the Bundesbank's tight money policy, and a cooling-off of upward pressure on the D-Mark on the foreign exchange market, EuroDM rates have risen to only slightly less than domestic rates (which themselves have increased sharply). Compared with the prime domestic interest rate level, at the moment about 8 per cent, Euromarket rates have been only marginally attractive—and according to most bankers, it has simply not been worthwhile lately for companies to go to Luxembourg to look for credits.

The banks have been active, though, in indirect lending to German companies. Some of the parent banks, pressed by this year's domestic liquidity squeeze, have been refinancing through their Euromarket subsidiaries their lines of credit to domestic corporate customers—accounting for part of the large inflows from the Euromarket which have shown up in Bundesbank statistics this year.

The other major form of credit service which the Luxembourg banks can give to their domestic clients has, however, certainly increased in importance over the last few years. This concerns export financing, where house banks are increasingly being called upon to provide large Euromarket credits to back up German companies' export deals. The project concerned can range from a small order worth a few million marks to a billion mark contract for a steel plant.

In the classic case—illustrated over the past few years perhaps best of all by the multi-billion dollar export of German nuclear technology to Brazil—a banking consortium will arrange a domestic D-Mark credit backed by the Hermes export insurance agency to cover the bulk of the order, while the same institutes through their Euromarket subsidiaries will put together a Eurocredit, in either D-Marks or dollars, to cover downpayments and (the often very considerable) local costs involved in the contract.

In a competitive tender for an export project, the quality of financing can provide the key which clinches the order—as many exporters from other European countries can testify from rueful experience of the peculiarly powerful German combination of export know-how and financing muscle.

David Marsh

Tax haven for Belgians

BELGIUM'S INVOLVEMENT in the mushrooming importance of Luxembourg as a financial ceotre tends to be a sensitive subject in Brussels. Although the major Belgian banks were in on the ground floor of the Luxembourg banking phenomenon, Belgian investors' activities in the Grand Duchy make their operations a tonchy topic.

For Luxembourg's numbered accounts and stringent banking secrecy regulations provides Belgian investors with a tax haven that is embarrassing as it is irritating to the Belgian authorities. "It would be better not to write about it," urged one bank exectitive in Brussels, "it bas become a very dangerous and emotional area." He went on to explain that the Belgian regulatory officials of the Commission Bancaire have of late been looking hard at the situation because of the State's need to maximise tax yields, and bas warned the Belgian banks against directing certain categories of business tnwards Luxembourg. Advising an investor of the practical adventages of depositing funds in Luxembourg is technically an offence that could lead to a bank's licence being withdrawn.

It would be wrong to exaggerate the importance of Luxembourg's tax haven, or of the invnlvement of banks affiliated to Brussels parents in it. The degree to which private investors in Belgium use Luxembourg accounts to avoid or evade their Belgian tax liabilities can account for only a comparatively small proportion of banking business in the Grand Duchy. Yet it is enough for Belgians to consider it a Pandora's Box on which the lid had better remain shut.

The nuh of the prohlem is that inside a mooetary and economic union, Belgium and Luxembourg each operate very different banking and fiscal policies. There are no insuperable controls on currency movements — and certainly few physical customs checks at the frontier — because the Luxembourg franc is so tied to the Belgian franc on a one-for-one basis that the two governments pnblish joint balance of payments figures.

Belgian banking accounts, however, are open to inspection, while in Luxembourg confidentiality of numbered accounts has been established since the end of Wnrld War II. Luxembourg's tax thresbolds for residents are even bigher than Belgium's, but nnn-resident account bolders are liable neither to local taxes nor to outside inspection. Given the

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Delicate talks with Berlin, Frankfurt

AN UNEASY truce hangs over relationa between the West German and Luxembourg baoking supervisory authorities over the vexed question of control of tba German Eurocurrency banking subsidiary in the Grand Duchy. The gentleman's agreement concluded last October under which the Luxembourg banks are passing on—via their German parent institutes—a broad overview of their activities to the Federal Banking Supervisory Office in Berlin has taken some of the beat out of the controversy. But the respite will probably not last for long.

Claiming that the unbridled nature of Eurocurrency operations undermines domestic monetary policies and can exacerbate inflationary dangers, in recent mmnths the Bundesbank has stepped up its campaigning for improved regulation of the Euromarket in ganeral and Luxembourg in particular. And last May the Germans found a powerful ally wben Mr. William Miller, then chairman of the U.S. Federal Reserve Board (now Treasury Secretary in the wake of President Carter's July Cabinet cbanges), launched his well-publicised initiative for the major central banks to introduce minimum reserves on Eurocurrency deposits.

Luxembourg, with its relatively liberal banking system and its fast-growing Eurobanks, occupies a neuralgic point—both geographically and ideologically—in the debate. As a small country caught up in a larger controversy, and with an economy hecoming highly dependent on Eurobanking (around 15 per cent of the State's total tax receipts last year came from the banks), Luxembourg faces a considerable dilemma.

An over-conciliatory attitude in the face of external pressure for controls could drive away some of the hanks that are laying the golden eggs. But too much resistance, and too many fiery invocations of national sovereignty and the State's strict banking secrecy lawa, could provoke the German authorities into taking more draconian steps to curtail the activities of the banks in the Grand Duchy.

The German unease over Eurobanking in Luxembourg stems from two basic considerations. Both are bound up with the fact that the German banks there—being legally independent aubsidiaries rather than branches—are outside the formal control of the Berlin office, and also are not required (as are all domestic banks as well as, in effect, foreign hranches) to deposit regulatory minimum resarves with the Bundesbank.

First, there is the prudential concern that the international operations of the subsidiaries could involve risks which—without being adequately monitored by the federal anthorities—could impinge on the parent banks. Secondly, the Germans are worried about the macro-economic effects of the banks' operations. Their freedom to shift Deutsche Marks into, out of and around Germany can and does, it is claimed, undermine the Bundesbank's monetary policies—especially at times like this year when the central bank is trying to cut back the growth of money supply to belp fight inflation.

Bargaining

The October gentleman's agreement was concluded after many months of tough bargaining between the hanks, the Berlin office, and Luxembourg's supervisory body, the Banking Control Commission. It allows the Berlin supervisors access to the annual reports of the external auditors tn the Luxembourg subsidiaries. This procedure "should bring about a satisfactory state of information" for the German authorities, according to M. Pierre Jaans, the Banking Commissioner.

But many German banks in Luxemhourg feel that the agreement is just the thin end of the wedge — a feeling backed up by recent statements from the Bonn Finance Ministry. Assuming a victnry for Chancellor Helmut Schmidt's Gnvernment in the 1980 general election, it appears that a major target in the oext legislative period will be a thorough revision of the German Banking Law to force the banks to draw up fully consolidated balance sheets. This would also involve a setting of capital ratios on a consolidated basis. (The present law sets down capital ratios and other regulations on banks' balance aheets for the parent bank only.)

M. Jaans is a member of tha international paoel nf banking supervisors which has been looking closely at ways of improving consolidation tecbniques, and also attends the Basle meetings of central bankers at which Euromarket controls have been botly debated in recent months. Although he stresses that consolidation sbould not be viewed as a panacea, be is fully in favour of the idea: "I would hava mixed feelings if I knew that an affiliate was not monitored by tha parent on a consolidated basis. I see no objection to enabling the supervisory authorities to have the same view as the directors of the banks have."

But it is clear that if the German law were altered to bring in consolidated ratios, some of the Luxembourg banks would have to change their habits.

One nf the main points made hy German officials tn back up the need for consolidated accounts is that Luxembourg banks are relatively undercapitalised. But these allegatinns are countered by M. Jaans with the sort nf statistical firmness only to be expected frnm someone who has himself served fnr 10 years in the economic intelligence department at the Bundesbank.

Apart from laying down that banks' start-up capital must be at least LFr 350m (the minimum was raised from LFr 250m earlier this year), the Luxembourg regulations state that banks' capital must be at least 3 per ceot of total borrowings. (Tbe actual figure in practice works out at about 3.5 to 3.8 per cent.) In Germany, tbe comparable figure, according to M. Jaans, is 4 to 5 per cent excluding the lower-capitalised public aector banks. Considering that loan loss ratios on international business historically are below those on domestic loans, the somewhat higher gearing of Luxemhourg banks can hardly be called dangerously imprudent.

M. Jaans carries out a similar demolition job oo German claims that Euromarket lending binders the Bundesbank's monetary control. The lending of German hanks from abroad to German non-banks comprises only 2 per cent of the domestic credit granted to these borrowers. "I can scarcely follow the reasoning that 2 per cent of credit volume can be serious—especially wben overall credit growth is in the region of 10 per cent per annum."

Bundeabank officials themselves admit that there is more than tinge of irony about the bank'a complaints ahout the Euromarket: the problem is fundamentally of its own making. The migration of German banks tn minimum reserve-free Luxemhourg only really got off the ground after the Bundesbank imposed punitive minimum reserves on banks' foreign liabilities, along with other barriers to inflows, during the currency crises of the early 1970s. Some of these barriers still remain.

The absence of regulatory costs at the momeot is Luxembourg's strength—hnt it could easily he exposed as its Achilles' heel. Nothing would so weaken Luxembourg's position as an Enrohanking Centre than for Germany to dismantle fully the very restrictions which made the banks leave in the first place.

David Marsh

Tax haven

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proximity of Brussels to Luxembourg and the close relationship hetween both countries, many rich Belgians consider it no more than sound management to have their "savings accounts" in the Grand Duchy.

Usually they avnid depositing funds with the three big Belgian banks which each have sizeable operations in Luxembourg. Althougb the Luxembourg banking regulations guarantee the same confidentiality anywhere in the Grand Duchy, Belgian investors cannot quite rid themselves of the suspicion that information might pass from an associated Belgian bank back to Belgium. Even so, Belgians' use of Luxembourg's special facilities can be open enough, for the trips that are made to Luxembourg so that bond conpons may be clipped and the interest payments deposited there have become legendary.

Just bow serious the situation has become is a matter of opinion. And these opinions are not surprisingly based on comparatively little fact. There are no figures, or even rough estimates, on the volume of Belgian private funds on tax-free deposit in Luxembourg. The loss to the Belgian Exchequer is therefore equally unknown.

Defence

In defence of the practice, bankers tend to make two main points. The first is that because of the Belgian-Luxembourg economic union, funds squirrelled away into Luxembourg accounts at least remain inside the largely Belgian economic system. Although the Belgian taxman is denied his bite, they argue, the money is still part of the "masse monetaire." If some method were to be found of clamping-down and blocking the transfer of funds to Luxembonrg, the argument continues, the Belgians would simply bank in other member EEC countries.

Belgians are in any case widely reputed to keep a high proportion of their assets outside Belgium, either in property or in securities. Tbe two points often made are that if Belgian funds were frightened out of Luxembourg there would be a damaging capital outflow that might hring the Belgian franc under heavy pressure, and that it would deny the domestic capital market badly needed funds. The first point may be valid enongh, even if the second is specious. Deposits in Luxemhourg are aimed at the Euromarket, not at Belgium's gilts market or its ailing equities market.

To a lesser extent, Dutch and West German banks offer similar fiscal refuges for Belgians who live close enough to the borders to slip across without inconvenience. What makes Luxembourg so controversial a banking centre in Belgian eyes is perhaps the involvement of the Big Three Belgian banks in the Grand Duchy's growth as a financial centre.

They moved into Luxembourg for clear and unambiguous reasons, but their refusal in recent years to clarify the exact status of their Luxembourg operatinns has served to create mystery where probably none is justified. After some early involvement in Luxembourg during the 1920s, the Brussels bankers arrived definitively after World War II when they fully recognised that the Grand Duchy'a own small banks could handle savings and retail banking hut were not equipped to cope with corporate business.

The largest Belgian bank in Luxembourg is Kredietbank, which is the Flemish business community'a flag carrier and ranks No. 3 in Belgium, and it set up in 1949 with an eye to Luxembourg'a programme for attracting foreign investment. Among its industrial customers it lists Goodyear Tyres and the Grand Duchy's Kent cigarette plant, both of which it feels might have gone elsewhere if Kredietbank had not been able to offer strong local support.

Kredietbank is also traditionally a pacemaker on the Euromarket ever since launching the first-ever Eurobond in 1961. Its Luxembonrg operations have naturally centred around the Eurocurrency business. To belp develop that it bas carefully invited other major international banks to take small stakea in Kredietbank Luxembourgoise. It stresses that while being far from a consortinm bank, the arrangement develops a useful relationship with such institutions as Algemene Bank Nederland, Banco Ambrosiano, Credit Commercial de France and Westdentsche Landesbank Girozentrale.

Yet Kredietbank Luxembourgeoise, which is quoted on the Grand Duchy's stock exchange, refuses to reveal its exact relationship with the Belgian Kredietbank parent. It will only say tbat it is more than 50 per cent owned by Kredietbank, and that that makes it the only Belgian bank that is clearly majority owned by its parent. For the other two top Belgian banks, Societe Generale de Banque and Banque Bruxelles Lambert, have minority interests in their respective Luxemhourg operations.

Giles Merritt

Strong grip on bond market infrastructure

THE CHARACTER of Luxembourg's involvement in the market for international bonds is different from that of London. Whereas the City bas emerged as a centre wbere the telepbone market in dollar bonds is concentrated, wbere syndicates for dollar issues are formed, and from wbere a world-wide sales effort in dollar issues can be mounted, Luxembourg supplies the underlying mechanics or "infrastrucure" which make tha bond business possible.

Luxembourg's strong grip on a significant sbare of this business provides its banks with a happy stream of that risk-frea service income whicb today's international banks are so eager to lay tbeir bands on. It exercises this grip by providing a chain of services which is more or less complete and whose links lead on from one to the next.

The first service is the listing. Eurobonds need to be listed on a stock exchange in order to be eligible for the maximum number of international investors. A listing implies that someone official has vetted the quality of the issue, and it provides the investor with (variable) re-assurance that there will always be a price for bis investment should be wisb to casb it in. Some countries forbid their investors from buying unlisted securities.

The Luxembourg Stock Excbange has provided a convenient listing since before Eurobonds were invented. Its costs are low and its information requirements are not onerous. As a result some 70 per cent of all international bonds are listed in Luxembourg. This does not include issues denominated in Swiss francs and Deutscbe Marks, where tbe domestic financial communities are just as aware of the valoe of the listing as the Grand Duchy and prefer to keep the business to themselves.

Listing needs a listing agent and in Luxembourg this must be one of the Luxembourg banks officially recognised by the stock exchange. The bank demands a small flat fee of LFr 100,000 per issue but, mucb more importantly, can generally expect to be appointed paying agent—the agent who pays out the interest on presentations of coupons and who finally redeems the bond on bebalf of the borrower. The paying agent charges ¼ per cent of the total value of coupons presented and ⅛ per cent of the final repayment of capital.

These fees become donbly interesting if, as is usual, the paying agent is appointed the authorised depository for Cedel, one of the two clearing organisations in the international bond market. Such an appointment makes it certain that a very large proportion of the bond certificates of the issue will remain in the paying agent's vaults. Not only will the bank be paid for this pbysical storage; the storage will make the job of coupon payment an in-bouse affair which can be performed in bulk with the minimum of manpower.

The bond vault at Kredietbank, one of the largest Luxembourg banks, is an impressive sight. Several billion dollars worth of bonds are arranged in movable "stscks" reminiscent of the bowels of a great library. The coupons are cut, 300 at a time, by means of hydrsulic presses and counted and packaged by machine. The economies of scale are so evident that it is not surprising that the European Investment Bank, Luxembourg's most important supranational fund-raising agency and the scourge of the Eurobond market's fee structure, bas made a fuss about the paying agency fees charged by the Luxembourg banks.

Listing agent, paying agent, Cedel depository — the final link in the service chain, still under construction, is Eurex, the computerised international bond trading system developed by an ex-official of the stock exchange. Designed from the start to provide automatic clearance through Cedel or the rival Euro-clear, Eurex will make it still more attractive for the investor to rely on computerised accounts and leave his bonds in easily bandled blocks in the Luxembourg vaults.

Apart from this specialisation in infrastructure Luxembourg's role in trading and placing international bonds has been rather dwarfed by its importance in the international banking market. Luxembourg's position in the Eurobond market 10 years ago may well bave been larger, in relative terms, than it is today because the Luxembourg banks were able to serve the "Belgian dentist" and other European investors wbose savings flowed so contentedly into Eurodollar bonds.

Dominant

Kredietbank Luxembourgeoise is Luxembourg's dominant force in the business of floating international bonds. Mr. William van Mulders, the head of Kredietbank's securities section, describes bow Kredietbank could rely on its Belgian/Luxembourg placing power till the bear market of 1974 wben Northern Europe lost its appetite for dollar investments.

Since then the Luxembourg banks have had increasingly to look abroad to preserve their bond-placing power. With the market becoming dominated by investing institutions the banks bave, like London banks, had to develop a world-wide clientele. The problem is that there is no particular reason why sucb contact sbould be established out of Luxembourg: tbe country bas yet to emerge as a centre for international fund management though, as we describe in a later article, it would appear to be on the way up.

As for borrowers, Luxembourg lacks major corporations but bas the European Investment Bank, with its prodigious appetite for funds, and is establishing increasing contact with borrowers around the world througb its activity in the syndicated loan market.

Luxembourg has found it difficolt, bowever, to develop a currency alternative more attractive than the dollar. Issues denominated in the Swiss franc and the D-Mark tend to be deployed out of tbeir respective countries, althougb Luxembourg bank subsidiaries can certainly play their part in the primary distribution of such bonds.

In neither currency can public bond issues be managed out of Luxembourg. The German banking subsidiaries bave issued DM-denominated private placements on occasion but this practice was recently stopped by the Bundesbank. In short German pressure has prevented Luxembourg from developing a corresponding importance in the DM-securities market as it has developed in the Euro-DM money market.

The Luxembourg/Belgiao franc should in theory provide ao acceptable denomination for international securities, particularly now that the currency is part of the EMS. Euro-Luxembourg franc issues, sold only to foreign investors (and the Belgian/Luxembourg bond funds) were tried in 1971 but the idea never really got off the ground. The offshore market in the currency was too thin to make such issues adequately marketable without the support of Belgian/Luxembourg investors. The small list of issuers also included two names, Reed International and Burmah Oil, which subsequently subtracted from the appeal of this sector of the bond market.

So, in deploying their own currency, the Luxembourg banks are limited to their yearly ration of between LFr 5m and LFr 6m in foreign Luxembourg franc bonds allowed under a gentleman's agreement with the Belgian central bank. The Belgian authorities are not prepared to see their domestic coupon levels undermined by too large a quantity of such foreign bonds, wbose coupons are free of Belgian withholding tax even though they are available to Belgian investors.

The quest for a currency alternative has made Luxembourg banks the flag-bearers for issues in various composite currencies. The best known initiative is that of Kredietbank in issuing bonds denominated in the European Unit of Acconnt. There have now been many issues denominated in this composite curreocy but the concept bas never quite become self-sustaining.

According to Mr. Andre Coussement, executive director of Kredietbank Luxembourgeoise, a composite corrency needs three things to become established as a durable denomination for bond issues—sponsors, official backing and an underlying money market. The EUA has tha first, bas lost the second—because it is no longer an EEC accounting unit—and bas never ever had the third.

Nicholas Colchester

Rivalry of clearing systems

THE COMPETITION in the business of clearing international bonds between Euro-clear of Brussels and Cedel of Luxembourg is reminiscent of the competition between railways in the 19th century. The rivalry combines all the benefits of competition with all the nonsense of duplicated effort. Within each system computerised book-keeping has eliminated a large amount of paper-sbuffling from the business of bearer bonds, but vanloads of certificates still have to shuttle to and fro to create the "bridge" which links the two systems.

An earlier article bas already explained why Luxembourg banks bave been able to benefit from providing a chain of services to the Eurobond market: Cedel was conceived as a vital link in that chain. Of the $23bn nominal worth of bonds now deposited in Cedel roughly $20bn are physically in Luxembourg with their international owners paying a fee for their safekeeping.

Risk

Euro-clear, started by Morgan Guaranty Trust, was the pioneer in international bond clearing in 1968. It ended a situation in wbich trading bouses in the Eurobond market often bad to wait weeks or even months for the physical delivery of bonds, adding greatly to the uncertainty and cost of financing sucb dealing. Morgan took a pioneer's risk and it paid off bandsomely: Cedel was founded because Morgan could not be allowed to keep sucb a profitabla and influential gsma to itself.

Cedel was set up as a co-operative venture between a large number of internstional banks to provide a "neutral" clearing service which would provide Euro-clear with competition. Subsequent developmeots suggest strongly that this competition bad some impact.

Since January, 1970, when Cedel got going, the price of clearing has been reduced seven times according to Cedel's management. A steady rise in trading volume belped make these reductions possible and it is, of course, impossible to state categorically that prices would not bave fallen withont Cedel's emergence.

Two years after Cedel was founded Morgan divested itself of ownership of Euro-clesr and put it on to the same sort of basis as Cedel to remove any suspicions of conflict of interest or concentration of benefit. Nevertbeless, Cedel's managing director, Mr. Francois Toldalagi, and manager, Mr. Gerard Soisson, point out with relisb the operational links which still bind Euro-clear to its founder. Indeed, they make it obvious that even after almost 10 years of joint existence, the rivalry between the two systems is as bealthy as ever.

Althougb there are now few major differences between the two systems Cedel is still having to play Avis to Euro-clear's Hertz. Euro-clear currently has about $29bn nominal of bonds on deposit, against Cedel's $23bn, and Euro-clear's turnover to the end of August 1979 was $66bn against Cedel's $35bn. Euro-clear bas the advantage of being the most popular clearing agency in the London market while this London market bas steadily increased its domination of the dollar part of international bond trading.

Enro-clear has bad the upper band in London because it was the first clearing system, because its links with a big snd important U.S. bank allow it to finance trading without complication, snd because its "fungible" approach to securities clearing, wbere any bond certificate is interchangeable with any other, is consistent with Anglo-American practice.

Cedel, on the othar band, was set up along more Continental lines to cater for laws in some countries — Italy, France, Germany — which lay down that each bond must have a specific owner or that its wbereabouts must be pin-pointed. To this end Cedel allocates sll examples of a particular bond to a single depository, usually in Luxembourg, wbereas Euro-clear bas an international network of depositories.

The result is tbat Cedel appears to bave an advantage in the clesring of non-dollsr international honds except where it runs into conflict with countries such aa Switzerland which would rather profit from the bandling of Swiss franc bonds themselves.

Cedel has recently taken steps to boost its presence in London. It asked a group of management consultants called Creative Business to carry out a poll of bond market operators in London and find out wbat conceptions and misconceptions were bindering Cedel's business there. As a result of this exercise Cedel has opened a representative office to improve its contact with customers.

The advantages which Cedel's management claim for their system, and which the London office will be boping to drive home, are that Cedel is cheaper in some areas than Euro-clear and that its centralised depositories allows it to clip coupons closer to the payment date than Enro-clear. Cedal claims that the latter point belps prevent confusion wben bonds are delivered out of the clearing system close to the coupon date.

Creative Business found Cedel's most important handicap to be in the provision of loans, either of bonds or of finance, to market-makers. Here Euro-clear's close links with one particular bank give it an advantage. All loans in wbatever currency made by Euro-clear are backed by Morgan Guaranty and are made on terms which Morgan decides. Similarly, all loans of bonds from one account to another within Euro-clear are made with Morgan's guarantee. Tbe Euro-clear interest rate has become established as one of tbe bood market's fundamentals.

Cedel cannot single out one of its sponsor banks to provide a counterpart to Morgan. Instead, a dealer can borrow from Cedel for 48 hours bot thereafter must negotiate terms for direct funding with one of s number of Cedel's sponsors. To match Euro-clear's ability to arrange loans of securities Cedel has had to set np a system wbere a syndicate of banks led by Citibank provides the necessary guarantees.

This manoeuvring to exploit or eliminate relatively small differences between two systems appears symptomatic of competitioo at work. Neither participant shows the slightest sign of being ousted by the other and together Cedel and Euro-clear ensure that the business of clearing is not one of those areas of the Enrobond business wbere the customers are exerting a gradnally increasing pressure for change.

But, as with those 19th century railways, the feature which prompts most adverse comment is the link between the two systems. The "bridge" is still inadequate and both Cedel and Euro-clear are working on it.

Nicholas Colchester

Eurex: push-button trading

EUREX IS the latest example of an ioitiative hased in Luxembourg and aimed at devaloping the "infrastructure" of the international bond market. It is an ambitiously conceived computerised bond trading system, and if it succeeds it will undoubtedly add to Luxembourg's stature not as a place for trading international bonds, because Eurex participants can trade and entertain each other almost anywbere, but aa an administrative centre of the international capital market.

The essence of the system is that it silently matches the requirements of bond bnyers and sellers with tbe best prices offered by market-makers. Having asked the participants' permission to continne with its suggested deals, it then clears the transactions by informing the clearing system of the deals and antomatically printing ont confirmation slips for the participants.

Finally, Eurex updates tha private computerised book of the market-makers involved. The flat fee for all this is L.Fr 200 (£3) per trade, charged to both buyer and aeller.

In the course of this matching and trading the system can build up a formidable amount of information about the state of the market. In suitably laundered form this will be tbe information available to Eurex participants: the current average market price for each bond, the bighs and lows on the previous day it was traded, yields, indications of trading volume, perbaps even indices, and all the essential details about each bond traded on the system.

As with so many other developments in this age of "future sbock," the critical question for Eurex is not wbether the machine can work for man but wbether man will choose to work with tha machine. Computerised trading systems have been aronnd for a decade now and for all their limitless possibilities the market makers of the world have bided their tima in getting round to using them.

Eurex is building up to its launch at a rottan time in the international bond market. The trading voluma in dollar bonds is right down and the market is full of talk about losses among market makers. The atmosphere into which this rather threatening development will be launched is therefore not a happy one.

Eurex's designers hava cleverly made allowance for initial scepticism by organising Eurex so that it can be used as a particularly efficient way of doing the back-office work needed to put through any deal negotiated and transacted down the telephone in the established manner.

The price to deliver contract notes and clearing instructions (and to update each user's position display) is BFr 80 (£1.20) a time. The Eurex management is reckoning on at least 250 telephone trades being cleared in this way every day, whatever happens to proper Eurex-style trading, when the system finally gets going sometime in October.

Diffuse

Eurex was conceived by Mr. Henri Grisius, an official with the Luxembourg Stock Exchange, in 1973. In the participatory style which is the hallmark of Cedel, Mr. Grisius invited a great number of international banks to chip in towards a study project. He got positive replies during the summer of 1973 from 69 banks, each of which was ready to contribute $1,000 to pay a small team led by Grisius to get to grips with the complexities of the international bond market and to devise an automated trading system which its participaots might use.

Eurex was established as a company in 1977. Some 33 banks agreed to huy shares: they were allowed to buy between three and eight shares, each at a price of L.Fr 200,000, in order to keep the ownership diffuse. Eurex raised an initial capital of L.Fr 30m. This handsomely covered the L.Fr 20m needed to sign a three-year contract with IBM to develop the detailed software for the trading, deal-confirmation, and information system.

The selling of Eurex to potential users bas now been going on for about nine months and has clearly been hard work. Doggedly persistent rather than inspirational, Henri Grisius and his team of seven bave assembled what they claim to be 79 firm agreements to participate in Eurex of which only about one-third have currently had on-line equipment installed.

At the moment there are 12 market makers. A number of big names which are conspicuously absent from the list, bnt Henri Grisius is reassured by the thought that "even with Euro-clear it was not the big banks which joined first."

The initial line up of participants is oriented heavily towards trading in dollar bonds and in the currencies which play a relatively small role in the Enrobond markets. It is apparent that if the big Swiss and German banks are represented on the list of participants it is through their subsidiaries abroad. The inference is that both these countries are anxious to keep trading of honds denominated in their respective currencies at home and off Eurex for the moment.

The only fees charged by Eurex will be the flat fees per transaction already described. Eurex will bear the cost of the telecommunications network it has arranged to link all participants to the central computer in Luxembourg.

However participants will have to pay for the leased equipment they need in their offices. The full set-up naeded by a market-maker — comprising a minicomputer, trading screen(s) and fast printer(s)—costs about LFr 50,000-120,000 (£770-£1,800) a month.

A participant who wants only to buy and sell on the Eurex market needs only a fast typewriter terminal which costs LFr 20,000 a month. He uses this to place his orders and to receive confirmation slips and, in the morning to get lists of indicated prices from those market makers with wbom he bas made the necessary arrangements.

Users can also trade on Eurex over the telex—this is currently the only way Eurex can be hooked up with Hong Kong, for instance—but the process is a leisurely one and the user has to pay the line costs for this.

Henri Grisius maintains thet Eurex will go live in October. But complex computerised communications systems seem fated to be delayed and Eurex has already proved no exception. It appears almost inevitable that after baving already faced the indignation of market-makers, convinced that human contact down the pbone is indispensable to bond-trading judgment, Henri Grisius and his team must now face many months of indignation at hroken lines, flaws in "software," and terminals whicb refuse to understand faulty instructions in the heat of the moment.

Nicholas Colchester

Scandinavian banks arrive

THERE ARE now 108 banks operating in Luxembourg. The heavyweights among them are still German (they account for the top five places in the list) but over the past few years they and the long-established Belgian banks have been joined by a flood of others from all corners of the globe. Many of them still run modest operations from offices hidden behind discreet name-plates on the Rue Royale but their growth testifies to the development of Luxembourg as a genuinely international banking centre.

After the Germans, the first banks to arrive in any strength were the Americans. Their experience has not been entirely happy and their numbers have sagged to 13 from 17 in the peak years of 1973 and 1974. Mr. Patrick I. Cunningham, managing director of Bank of America International, admits that the position of U.S. banks in Luxembourg is "a mess" and other bankers bear out his view.

The U.S. banks came to Luxembourg partly with the intention of conducting local banking and partly to see whether international lending could be managed from there. The local business proved too small to justify the cost of an office and international business could be done more easily and often more cheaply from London.

The latest bank to go is Wells Fargo. Mr. Alan Holroyde, managing director of Wells Fargo Limited in London, said the decision was part of the bank's consolidation of all European, African and Middle East activities in London. The bank's international operations were moved out in January 1978, and it was later decided that the residual local business was insufficient to maintain a presence there.

Mr. Holroyde also noted that the fall of the dollar has created problems for dollar-based banks doing business in Europe. The withdrawal of Wells Fargo was particularly significant as it was the first U.S. bank to establish a beach-head in the Duchy.

Many U.S. houses have found that Luxembourg, with its high corporate tax rates, does not offer the advantages of an offshore centre like Nassau, or of an independent international market like London. None the less, other banks are coming to fill some of the gaps.

Manufacturers Hanover will establish an office soon, although the carrot is reported to have been less the banking opportunities than Luxembourg's pending double-taxation treaty with Brazil. Another bank, European-American, has just opened a branch there.

Mr. Geoffrey Bell, the bank's general manager, admits that the reason for coming was partly diplomatic. European-American already has a sister bank in London and did not want to make its European debut by treading on some one's toes. Mr. Bell says the bank will service the European subsidiaries of U.S. clients, concentrating on money and foreign exchange market dealing, as well as extending the bank's foreign exchange advisory scheme. Some local funding is also a possibility eventually.

If the American banks have on the whole been getting cold feet about Luxembourg, the same cannot be said for the Scandinavians who now outnumber all groups but the Germans.

Counterweight

There are now 14 Scandinavian banks; most have arrived since 1976. They have been given a warm welcome as they emphasise the international development of the Duchy and, in particular, provide a counterweight to the German presence.

Basically, however, they confine themselves to business on behalf of clients at home and use Luxembourg to avoid domestic credit ceilings. All Scandinavian countries are now net Euromarket borrowers, so the banks are not in a strong position to lend in the syndicated loan market.

Mr. Ole H. Aamodt, managing director of Den norske Creditbank, says that 70 to 80 per cent of his loan portfolio is made up of Norwegian-related risk, with a similar proportion of corporate deposits being essentially Norwegian. This is partly a reflection of official Norwegian policy, which ties in with its strategy of financing investment from abroad.

The Scandinavian presence in the money and foreign exchange markets is largely confined to client business. Their interests are, therefore, fairly specialised and Mr. Aamodt believes the influx is almost over, though some Swedish regional banks may find it worthwhile coming to Luxembourg. Nor are the existing banks likely to grow so fast in the future as they have in the past year or two. A rough plateau (around 15 per cent of the size of the parent bank) is reached within a few years, Mr. Aamodt believes.

There is in fact a possibility that Luxembourg may become less attractive for the Scandinavians. Over the past two years reserve requirements in Norway and Sweden have been relaxed to allow parent banks to conduct a portion of Euromarket business for domestic clients at home. This may tarnish the Duchy's appeal, though Mr. Aamodt believes Swedish banks at least could compensate by playing an increasingly international role.

Swiss banks are another group hwich have been making their presence felt (there are now six banks in the Duchy), but their role is almost entirely different from that of the Norwegians or Americans. Domestic restrictions on international capital transactions in 1977 persuaded the Swiss to collect surplus liquidity in Luxembourg, in the form of short-term deposits, and then use the funds to supply the money market there. According to Mr. Walter Kobel, director of Union de Banques Suisses (Luxembourg), money market transactions comprise around 90 per cent of the business volume of Swiss banks in Luxembourg. He is also the first to admit that the political and economic stability of the country is a major attraction for the cautious Swiss.

Luxembourg also has its appeal for Italian banks, which take in lira deposits and are fairly active traders. The volume of business they conduct is fairly small, however, and parent bank control is tight. Japanese banks also maintain a presence in Luxembourg though, like the Americans, they find little to do there that cannot be done from London.

Conspicuous among recent arrivals have been countries making their first sortie to Luxembourg. The first British bank to be represented here is Warburgs, through Banques S. G. Warburg Etcev.

Its arrival is unlikely to herald a British invasion, however. The bank is a consortium which also includes Bank Leu of Zurich and Effectenbank Warburg of Frankfurt, both of which need to be in Luxembourg to service domestic clients. Like the Dutch in the Antilles, the British have their own market in London.

Another bank which has just set up shop is Bank of China. The office is the first to be opened outside China since the revolution of 1949. Mr. Wu Ming-Hsin, the assistant manager, says Luxembourg's location was a major factor. The country has good communications and is also an excellent centre for the EEC. The bank has so far concentrated its activities on the inter-bank money market (and to a lesser extent in foreign exchange) but is also anxious to do client business with Chinese residents in the Benelux area and may eventually become involved in the syndicated loan market.

John Makinson

A local big lender

THE HEADQUARTERS of the European Investment Bank are located between the city of Luxembourg's banking community, on the opposite side of the river, and the cluster of other EEC buildings on the Kirchberg behind it.

This may be a geographical accident (and the EIB will soon be moving into brand new Kirchberg premises) but it neatly sums up the bank's role in the city. On the one hand, it is among the largest—and most innovative—borrowers from the commercial banks represented in the Grand Duchy. On the other, it is the EEC's main lending arm, operating from a state which has always played a major role in the European Community.

The EIB took up residence in 1968 as compensation for the removal of the European Coal and Steel Community to Brussels.

The bank was established 21 years ago under the provisions of the Treaty of Rome to operate as a non-profit-making body. Its purpose was to provide loans and guarantees in the following areas:

- projects for developing less-developed areas;
- projects for modernising industry or converting plants;
- projects of common interest to several member States.

The EIB traditionally has concentrated on the first of these functions, notably the financing of projects in Southern Italy and in the UK and Ireland since their accession to the Community. More recently, however, it has expanded its lending for "projects of common interest" most of which are infrastructural in nature: communications and, increasingly, energy.

Last year, for example, energy loans accounted for 37 per cent of EIB loans provided within the Community; transport and telecommunications for 32 per cent water schemes (of which the UK is a principal beneficiary) for 18 per cent; and other credits — industry, agriculture and services—for 13 per cent.

EIB policy is formulated by its nine governors, who are generally finance or economic Ministers of member states. There is also a board of directors and a management committee, which makes day-to-day decisions about the bank's operations. Member states contribute proportionately to the EIB's capital, which is denominated in units of account and was doubled last year to 7.1bn ua ($9.8bn). The bank's statute provides that loans and guarantees must not total more than 250 per cent of subscribed capital.

The doubling of capital testifies to the recent acceleration in the bank's operations. Loans provided last year amounted to 2.19bn ua ($3bn), an increase of 39 per cent over the previous year and not far from the figure of 2.8bn extended for the whole period between 1958 and 1972.

According to M. Yves Le Portz, the bank's president, lending this year under existing arrangements will be 20 to 30 per cent above 1978 levels. Because of the difficulty of forecasting completion dates for loans, and loan demand itself, M. Le Portz is reluctant to be drawn into giving precise estimates for this year or next.

The recent growth in EIB activities is partly a reflection of the enlargement of the Community itself. The UK and Ireland are both now heavy borrowers. Furthermore, the continuing regional discrepancies within the EEC have led the bank, with the encouragement of Brussels, to intensify its efforts in this direction. The increase in projects of common interest has also contributed to the expansion, and the steep rise in oil prices has added an air of urgency to the bank's interests in the energy field.

M. Le Portz says that EIB lending on energy projects is already ahead of the total for last year, but that the bank would like to be still more active if the opportunities arose. He would also prefer to be doing more for manufacturing industry, but loan demand in this area is slack and the EIB's credit terms have until now been dictated by the market. High international interest rates are therefore a problem.

Independence

Two other developments have helped to swell the balance sheet. First, the bank has become increasingly involved in lending to countries outside the EEC. These fall into two broad groups: African, Caribbean and Pacific (ACP) states which were signatories to the Yaounde and Lome agreements; and Mediterranean countries bordering the EEC.

The ACP countries have mostly attained their independence since the framing of the Treaty of Rome, which made provision for aiding newly-dependent countries. The economic difficulties of many ACP states have been exacerbated by the oil crisis and the bank's credits have been stepped up accordingly—with an eye to the countries' importance as suppliers of raw materials. The bank very occasionally takes equity stakes as part of its funding operations in this area.

The group of Mediterranean countries eligible for EIB loans has been growing and beneficiaries now include Lebanon and Yugoslavia. According to M. Portz, however, there are no current plans to extend the number. The central stimulus to lending in this area has been the imminent accession of Spain —and later Greece and Portugal —to the EEC. Credits to these countries, and to Turkey, are growing rapidly in anticipation of the still greater divergence in regional wealth which their membership will engender.

Lending to non-EEC countries so far this year is already far ahead of the total for 1978, when it accounted for about 10 per cent of overall credit volume. Although the EIB has never experienced a bad debt (any failures have been covered by guarantees), it is conscious of the need to protect its "AAA" rating in the capital markets and would be reluctant to lend too extensively in "risk" areas.

The other major, and more recent development, in EIB lending has been its use of national agencies to "on-lend." In this way, it can reach small and medium-sized enterprises, leaving analysis of any project to the local authority. Apart from extending the scope of EIB operations, this system also creates proportionately more jobs than would be the case for a major credit.

Under the terms of the scheme, the EIB makes a sum available to an intermediary, which then sub-divides the amount into smaller parcels—down to a minimum of 25,000 units of account. The loans may finance as much as 50 per cent of fixed investment costs up to a maximum of 4m ua.

The system was introduced in 1968 and since then more than 1,000 credits have been made available, many of them to the UK.

Prof. Richard Ross, British representative on the EIB's Board of directors, says the change of Government in the UK has not had any effect so far on lending in the country.

Since regional credits are extended exclusively to depressed areas, however, he accepts that the Conservative Government's decision to reduce the extent of these regions over a transitional period may have some impact eventually.

A problem with the scheme, highlighted by the case of the UK, is the reluctance of borrowers to accept the exchange risk of loans denominated in foreign currencies. Because the EIB loan portfolio is determined by the way it raises money (which owing to the capital market structure must be to a great extent in dollars) foreign currency lending is inevitable. Understandably enough, national governments are often hesitant about taking over the exchange risks themselves. The European Monetary System may help, nonetheless, to mitigate the problem by limiting fluctuations —at least between European countries.

The EIB has been as innovative in the funding side of its operations as in its lending. This is partly making a virtue out of necessity since it is obliged to borrow a broad base of currencies in order to match its loan side. The bank was therefore among the first to float issues on the international capital markets in, for example, sterling and guilders.

The innovative spirit extends to its methods and instruments of borrowing. In July of this year the bank went to the Eurobond market to raise between $100m and $150m. The unusual feature of the issue was that the bank did so through a public tender.

Auction

Its decision to raise money through a competitive auction (and then publish the results) met with criticism in some areas of the banking community but M. Le Portz defends the move by saying that the normal system is not tailored to the borrower. He also notes that this method has been used by the bank before on a more limited basis and points to the success of the issue on the secondary market.

Two other new practices are currently being introduced by the bank. One is a special facility of 1bn UA borrowed directly by the EEC and passed on to the EIB for allocation. An initial 500m UA tranche of this facility, known as the New Community Instrument, has already been authorised and the bank is in the process of allocating the first loans to be drawn from it.

The background to the facility is largely political—emphasising the EEC's direct involvement in community financing—but M. Le Portz also hopes that banks which are already brimming with EIB paper, will welcome paper issued in the EEC's name.

The second new idea to be introduced is the subsidised interest rate. As a concession to the less-prosperous countries joining the EMS, namely Ireland and Italy, the EEC has agreed to provide through the EIB a 3 per cent interest subsidy on certain loans, totalling 1bn UA per annum over five years. The subsidy will be met from the Community budget.

It is certain, however, that the EIB will continue to expand its activities, limited only by the demand for credit, the capacity of the capital markets to absorb its paper and the ceilings imposed by its capital (M. Le Portz does not expect the present ceiling to be reached before the beginning of 1982).

Other, more glorious roles have occasionally been imagined for the EIB—notably that of a European central bank. M. Le Portz does not see this as the EIB's role and, given the bank's rapid growth he probably has enough on his plate matching supply and demand for his money in a traditional banking fashion.

John Makinson

Portfolio business soars

PORTFOLIO management, the service that banks accord to major personal fortunes or to corporate customers, remains a predominantly Swiss business but one where Luxembourg has emerged as a potential rival. As a British banker who has been watching the situation from the sidelines of Brussels remarked: "The Luxembourg banks are No. 2, and they are trying harder."

It is not only Luxembourg's snowballing importance in the Euromarket that has brought such Swiss giants as the Union Bank of Switzerland or the Swiss Banking Corporation to the Grand Duchy. According to other international banks now active in Luxembourg, the Swiss are concerned to safeguard as much of their lucrative portfolio management business as they can.

For the growth in the Luxembourg banks' portfolio business stems from conditions in Switzerland itself. The Swiss banks have developed obvious weaknesses, and some that are not so obvious but are nevertheless very important. The obvious ones range from poorer service and higher costs in Switzerland as compared with competitive Luxembourg. Banking services in the smaller Swiss towns are still reckoned to be excellent, but in the major centres customer relations are often judged to have become impersonal and inefficient. "We have numbered accounts, and are treated only as numbers," complained one dissatisfied client not long ago when moving his business from Switzerland to Luxembourg.

Options

The key weakness that the Luxembourg banks are now beginning to exploit is a much less obvious one. It is, they say, the Swiss practice of placing investors' funds outside Switzerland in order to avoid local withholding taxes. Clients frequently do not know where their money is.

Luxembourg bankers point out that Swiss banks offer investors two main options. Either clients may deposit their funds, which then become subject to withholding tax which in the case of Swiss franc deposits can amount to a penal 35 per cent. Alternatively, they can choose the banks' fiduciary services. In that case, the customers' funds are placed in the bank's name with foreign banks in the Euromarket.

The volume of this business, which the Swiss banks' customers frequently opt for, is naturally impossible to calculate. But some of the Luxembourg Euro-banks which accept these funds that are ostensibly Swiss banks' deposits estimate that "hundreds of millions of D-Marks, if not billions," have been funnelled out of Switzerland on to the Luxembourg market.

Commission

At first sight the practice might appear satisfactory to all concerned. The Luxembourg Euro-banks point out, however, that not only do these fiduciary funds yield less than the inter-bank rate, but that the Swiss banks naturally charge a yearly fiduciary commission that varies between ¼ and ½ per cent. In short, investors would do better, it is claimed, to go straight to Luxembourg and receive the same rate of interest without having to pay Swiss charges.

Investment management is now estimated in Luxembourg to be growing very rapidly in volume, and not only because of the attempts being made to attract business away from Switzerland. The major West German banks, which account for rather more than half of foreign banks' activity in Luxembourg, have also brought custom with them. Because the Euro-banks recognise that their inter-bank and money market business is only accidentally based in tiny Luxembourg — access to the Euromarket being little different to access to a telephone — there has been a deliberate policy of developing investment services that will make Luxembourg a more substantial and firmly-rooted financial centre.

Arab investors were in the vanguard of those who transferred major portfolios to Luxembourg. Originally active in West Germany, many of them became concerned when the Bonn Government established increasingly close diplomatic relations with Israel, and switched their holdings to West German banks operating in the Grand Duchy. Another factor that prompted West German investors to favour Luxembourg was the latest Swiss-German double taxation agreement, which raised doubts over Swiss banking secrecy by granting officialdom greater access to information in certain circumstances.

Luxembourg nowadays stresses that its numbered accounts offer greater secrecy than do those of Switzerland. It also offers a competitive array of currency and interest rate arbitrage skills, although little in the way of equity management. Above all, perhaps, the Luxembourg-based banks are free to adjust their charges as they please, and seem determined to continue undercutting their Swiss competitors. They have a long way to go, of course, before they seriously erode Switzerland's lead in the field. But it is perhaps more than a straw in the wind that Dresdner Bank International, calculates that almost 25 per cent of its balance sheet is made up of investment funds.

Giles Merritt

POLITICS TODAY

Liberal revivals: three steps forward, two back

THE UNDERLYING thame of the Liberal Party Assembly in Margate this week, and one suspects of present day British politics, is economic growth, or rather the lack of it. It is not so much whether or not growth is desireble, though that too is being debated in Margate. It is much more an assumption that growth in the future, if it takes place at all, will be severely limited.

The assumption may be wrong, but if it is correct the question for a political party is what to do about it. How is it possible to adapt to reduced circumstances and to avoid what has been called the revolution of falling expectations?

In Britain the no or low growth assumption is probably right, at any rate if one extrapolates from the past. It is not just the energy crisis or what the ecologists describe as the finite nature of the world's resources that are holding us back. We have been a low growth country for a long time. What is new is the dawning realisation that we cannot go on behaving as if we are not.

All three main political parties now seem to be aware of this in their different ways. The rationale for Mrs. Thatcher's expenditure cuts is that public spending must be brought within our means. Economic growth may follow both from that and from various other Tory measures, but the Government does not claim that it will automatically.

Labour's organisational problems and power struggles apart, the real argument in the Labour Party is about how to achieve socialist or even social democrat aims if the economy does not grow fast enough to pay for them. In other words, if the cake will not expand, it comes back to redistribution.

It is the same with the Liberals. The party is groping this week towards finding a way of reconciling the old values of fairness and compassion with reduced expectations, and to some extent with the new values of conservation. The word "redistribution" has not often crossed the lips, but it is clear that that is what they are beginning to talk about. They are discussing how to achieve a fair and tolerant — or, if you like, a liberal — society within the base of existing resources.

Of course, the Liberals have not yet found an answer and they are not without their own internal divisions. Yet it does seem a reasonable supposition that the problem of reconciling low growth with old political ideals will remain on the national agenda for some years to come. In that case, the Liberals are in at the start.

So much for the philosophy. How else are the Liberals faring and, more to the point, will they be in at the finish, by which is meant the next general election?

'Void' theory

They are, in good heart. The theory of Mr. David Steel, the party Leader, is that there is now a void in British politics created by Mrs. Thatcher moving the Tory Party to the Right and by the dissensions within the Labour Party. It is the natural function of the Liberals to fill it. Mr. Steel is going for a Liberal revival that lasts.

On the face of it, there is a good deal in his favour. As the accompanying table suggests, the Liberal Party tends very broadly to advance by a process of three steps forward, two steps back: at least it does if you chart the progress from about the mid-1950s. The modern Liberal Party, Mr. Steel believes, has its origins in 1956, the year in which Mr. Jo Grimond became leader.

According to this rough and ready formula, the party is now poised for another advance. It has taken its two steps back since the successes of 1974, but the election of 1979 still left it —by Liberal standards—in a reasonably strong position. At the same time, many of its internal quarrels are over. There is no threat to the leadership and Mr. Steel himself seems to be a distinctly popular figure in the country. The party's finances have been put in order and the Thorpe affair is being forgotten. Not least, the Liberals are now entrenched in local government, even if the geographical pattern is patchy. The district election results in May this year were the best they have achieved since 1973.

It is therefore a matter of exploiting this position. If Mr. Steel has his way, there will be no great changes in policy, but only a constant process of adaptation to new circumstances. The organisation will be further improved with the emphasis on local elections and by-elections. There does not et the moment appear to be any particular idea of singling out certain kinds of seats as typically Liberal: the campaign will be nationwide, though a special task force will be thrown in wherever a by-election takes place. (Manchester Central, where a by-election was held yesterday, was regarded as an unfortunate starter: the Liberal performance in the general election there was about the worst in the country.)

Those are the plus points. There are also a few minuses. In the first place, apart from Mr. Steel, the party is now desperately short of nationally known figures. This is particularly so since Mr. John Pardoe lost his seat in the election. Mr. Grimond is getting on and is increasingly tied up with the problems of Orkney and Shetland. Mr. Cyril Smith is well known for his size and Mr. Clement Freud for his broadcasting, but they are hardly seen as national political leaders. It is going to be a question of bringing on such figures as Mr. David Alton, Mr. Alan Beith and Mr. David Penhaligon, if the Liberal Party is not to appear as a one men band at the national level.

Mr. Pardoe's departure, which one hopes will be temporary, may also have created something of a policy gap. As the party's economic spokesman, he was fluent, original and generally respected. It is difficult to see Mr. Richard Wainwright, his successor, in anything like the same light. There is a problem, too, in that the Tories have already introduced some of the Liberals' ideas: on taxation, for example.

Moreover, if there is a policy gap on economics, it comes at a time when the party is under challenge from another direction. The challenge comes from the ecologists, both within and without. The Liberals actually invited Mr. Jonathan Porritt, the Ecology Party leader, to Margate this week to address a teach-in.

Mr. Porritt is an exceedingly articulata speaker, who, to one's own gratificstion, neither mixes metapbors nor splits infinitives. It was clear from the reaction to him thet e number of Liberals are already leaning towards his party, while yet others are seeking to make ecology the main plank in the Liberal platform. It is one of the fears of Mr. Steel that the Liberals will become identified with the "econuts." The example of West Germany is borne in mind where the Liberal Free Democrats have lost votes to the "green parties."

A great deal will depend on what happens to the snti-nucleer movement in Britain. If the Government goes ahead fast with plans to expand nuclear power, and the opposition to it grows, there are many Liberals who will wsnt to take the lead in the anti-nuclear campaign. At preseot, party policy is confined to opposing new reactors until there are greater assurances about safety, but it is an issue on which more could be heard and on which some Liberal support could be lost to the ecologists.

It seems to me, however, that the real doubt about a sustained Liberal revival is somewhat different. Mr. Steel may be right about the void in the middle ground of British politics today, but one cannot easily imagine that either of the big parties will be foolish enough to allow it to exist for long. In particular, one would expect that they would themselves move back to the middle ground if the Liberals set off on a pattern of by-election successes. It is therefore tempting to predict that there will be a Liberal revival over the next two years or so, but that it will have peaked well before the general election approaches. Certainly that is what some Liberal MPs already fear. In the end it will be a question of the Liberals not having enough resources and not commanding the big battalions.

In this context it is worth noting how some Liberals and some social democrats in the Labour Party are already thinking alike about the future. Two pamphlets published in the last few days bring this out. One is by Mr. Giles Radice, the Labour MP for Chester-le-Street, and is called "Community Socialism."* The title itself is revealing in that it shows the way the author is drawing on the Liberal development of community politics: for instance, by setting ont to win votes by stressing local interests and locel issues. The pamphlet also discusses redistribution. Mr. Radice suggests that it might be possible to establish e rstio of around seven or eigbt to one between top and everage earnings before tax.

The Liberal pamphlet† is by Mr. Richard Holme, the party's probable President-elect. Mr. Holme floats the idea of an income range of between one and a factor of five or six.

Apart from noting that the Liberal vision of the future appears to be considerably more egalitarian than that of the right wing of the Labour Party, it may be worth adding that the extremely well-equipped Swedish trade union movement has been working solidly on egalitarianism for nearly a decade and has still not come up with an answer.

Gamble remains

Yet it remains interesting to find Liberals and social democrats thinking along the same lines. The idea at least, if not Mr. Holme's suggested ratio, has Mr. Steel's blessing. It is one of the subjects on which he hopes Mr. Pardoe can continue to work, despite his absence from Parliament.

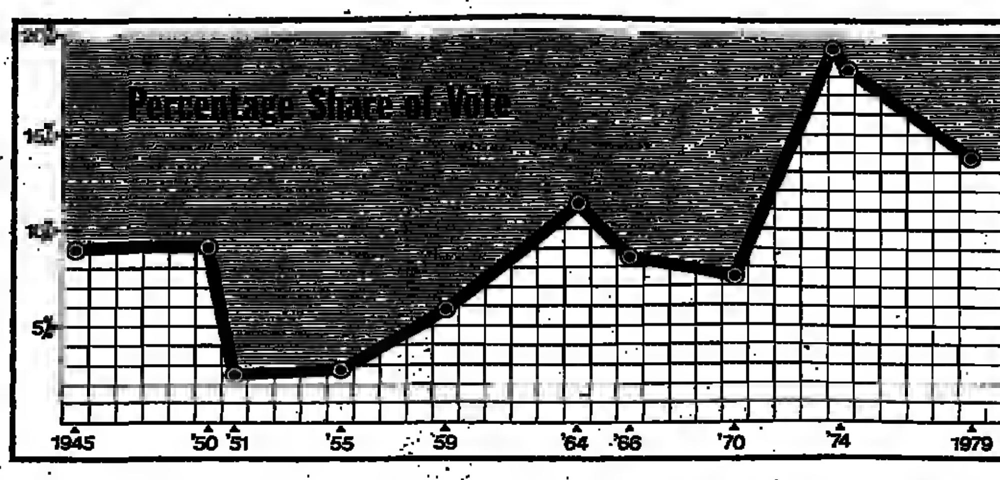
In the end it remains a gamble. Mrs. Thatcher's government, after all has yet to show that it will inevitably fail to turn Britain round. Yet if low or no growth is to be the pattern, the Liberals at least are thinking about the consequences. In the past, Liberal revivals have tended to stem from Tory disaffection during periods of Conservative rule. The Liberals now hope that they can draw at least equally from disaffected Labour voters. But they should beware of assuming that they will continue to have the middle ground entirely to themselves.

* Fobion Tract 464, Fobiou Society, price 65p. † 1984, The Reol Alternolive, Liberol Publication Department, price 50p.

Malcolm Rutherford

LIBERALS AND GENERAL ELECTIONS 1945-79

	1945	1950	1951	1955	1959	1964	1966	1970	Feb. 1974	Oct. 1974	1979
Seats	12	9	6	6	6	9	12	6	14	13	11
No. of candidates	306	475	109	110	216	365	311	332	517	619	576
Lost deposits	76	319	66	60	55	52	104	184	23	125	304



Letters to the Editor

Wage claims and productivity

From the General Manager, Robert Hutchison and Co.

Sir,—I have been astonished recently by the views expressed by the CBI on wage claims and productivity, and it is depressing to find them shared by you in your leader (September 20) on "The high cost of inflation."

You suggest that there should be no "going rate" for wage claims, but that successful companies should pay more and unsuccessful ones less. The practical arguments against this idea are overwhelming. Every manager in industry knows that, whatever attempts at worker participation are made, hourly paid workers are just not in the job to share the risks of their business, at least not to the extent of having their earnings related to its success or failure. Any enforcement of such a principle would result in workers with greater or more marketable skills leaving a company which might be in only temporary straits, and thereby ensuring its continuing failure. Once having dropped behind in the payment league, an employer could never attract the better quality of labour it might need to climb back.

The fact that unions use company profits as an argument for higher wages does not mean in any way that they accept the principle of earnings being related to success: the very instances you quote, such as the 26 per cent claim by BL workers, proves the point. The real issue which unions and workers are concerned with is getting the best rate for the job, and anything worse than the rate paid for similar jobs in the same area or industry is just not going to be accepted. If a company can't pay the going rate for labour it won't get labour, and just because it is doing badly, there is no reason for it to get labour on the cheap any more than fuel or other materials. Equally, if a company is doing well, there is no reason why it should affect its competitive position by paying more than the going rate. That surely is the basis on which employers should negotiate.

If the CBI and others in their ivory towers wish to take issue on points of principle, why don't they have a go at the spurious "productivity" deals which turn up year after year in the same industries. The practice under which, especially in periods of general wage restraint, some workers are paid extra simply to do their job, is repugnant and wholly unfair to the mass of employees in companies such as the one in which I work, who do a fair days work as a matter of course.

W. J. Turcan,
Robert Hutchison and Co.,
East Bridge, Kirkcaldy.
Fife.

Confiscation by the state

From Mr. A. Furse

Sir,—As liquidator of a small investment holding company put into voluntary liquidation in September, 1977, I was obliged to lodge any surplus funds with the Board of Trade at the end of the first six months period. Following completion of the liquidation, application was made for the repayment of these funds and I have recently received a cheque repaying the original deposit minus 1½ per cent fee and ¼ per cent stamp duty—total 2 per cent. No interest whatsoever has been allowed for the use of such funds for 18 months.

Surely, to compel liquidators to lodge funds on such terms is fiscal oppression of the sort normally practised only behind the Iron Curtain—even the more bankrupt African states allow a nominal 2.3 per cent on their compensation money.

If compulsion is appropriate, the payment of an adequate return on the lines of the 5 per cent, tax free paid on Post Office deposits is surely a minimum obligation.

A. W. Furse.
Nerquis, Mold, Clwyd.

Gas flared to waste

From Mr. N. Wilson

Sir,—Does British National Oil Corporation know precisely how many North Sea well-heads are flaring off their gas to waste and how much gas and money is so wasted daily?

Mr. Barry Ross, public affairs manager of Shell (UK), said in a Worthing lecture on September 17, that gas which would otherwise be flared cannot be reinjected into oil reservoirs to maintain pressure. But could it not be liquefied at or near wellheads and then shipped by lng tankers to Canvey Island or ultimately—to Mossmorran on the Firth of Forth? Well-head liquefaction of gas should not be harder to engineer than many other astonishing feats the oil companies have accomplished.

N. W. Wilson,
23, Horsey Road,
Worthing, West Sussex.

Paying for pensions

From Mr. R. Nottage

Sir,—I was interested to see Mr. Shuckmsith's introduction (September 24) of "the micro-economic agent" into our discussion on the financing of pensions.

His question about the immortality or otherwise of the National Coal Board and British Rail, is not relevant, however, to the question of how the taxpayer should pay for the pensions of their many former employees which they (NCB and BR) cannot afford and successive governments have agreed to meet. Those pensioners, we may be sure, are mortal, and over the next 20 years will substantially decline in numbers.

If the taxpayer meets the cost of the pensions to which he has been committed as it arises, he will benefit from the most even annual rate of call upon his pocket. Moreover, if the present negative real rates of return on pension fund investment persist, he will discharge his responsibility more cheaply than by straining himself over the next few years to provide enormous sums of money for long-term management—good, bad or indifferent—by the trustees of the NCB and BR pension funds.

I would also remind Mr. Shuckmsith that "A collective arrangement, in which all micro-economic agents participated, in the form of a nation-wide pay-as-you-go pension scheme providing comprehensive benefits" is by no means "a theoretical alternative to individual advance funding," as he suggests. Probably 75 per cent or more of the pension income currently being received by the nation's 9.5m men and women of retirement age is financed in that way—as the annual reports of the DHSS and Supplementary Benefits Commission bear witness.

Raymond Nottage,
Reform Club,
Pall Mall, SW1

Lump sums may be necessary

From Mr. T. Layborn

Sir,—I was interested in reading the letter from Mr. Schuckmith (September 24) but when he states: "For what it is worth, my own view is that a gross investor such as a pension fund is more likely to earn a positive real rate of return on average in the long-term than not." It is like asking the old question: "How long is a piece of string?"

What does Mr. Schucksmith mean by "long-term"? I feel very strongly that those pension funds that have shown a substantial negative return in the past five-seven years—and I believe there is every likelihood of the return being negative for the next five-seven years—will run into serious financial trouble if they continue in the face of all present-day circumstances to have the fund valued on a positive basis. We have been living, and continue to live, in times without precedent, and I believe it far more practical to deal with the situation as it has existed for the past five years and forecast to last for another five.

Shareholders of companies whose pension funds are still being valued on a positive basis despite the fact the contrary has been the actual position, are likely before long to get a shock as to the lump sum that may be necessary to pay into the fund. I think a case quite recently has been reported where the company in one year alone had to back up the pension fund by approximately £9m. It is far better to my mind, particularly from the employees' point of view, but also from the shareholders' point of view that their pension fund is continually valued on a discontinuance basis.

T. A. E. Layborn,
The Bowring Building,
Tower Place, EC3

Vision and the new technology

From Dr. S. Watkins.

Sir,—Several recent letters have criticised the Association of Scientific Technical and Managerial Staffs for adopting a "negative" attitude to new technology.

In June junior hospital doctor members of ASTMS took a resolution to the Hospital Junior Staffs Conference seeking to reverse that conference's policy of reducing medical school throughput and instead recognising that new technology would create a manpower surplus necessitating "a change in the structure of employment with greater leisure and increased employment in the labour-intensive public services."

Speakers in favour of the resolution spoke of a vision of a society in which new technology had been used to the full, in which it was possible to produce everything that we now produce with a fraction of the work force, and in which the benefits of that state of affairs had been taken partly by increasing production (and hence the standard of living), partly by recognising that there is more to life than work and partly by creating new jobs in expanded and improved public services.

But the ASTMS resolution was bitterly opposed by members of the British Medical Association who accused us of advocating pie-in-the-sky and described our vision as an hallucination. The resolution was defeated. It is rather harsh to be criticised in one forum for unrealistic enthusiasm and, in another forum of Luddism.

New technology could create the vision which we described at the HJS conference. But it could equally lead to a society divided between a prosperous employed class and a large unemployed class. The benefits could be thrown away by a failure to see the options available or by the conflict which would be created if industry sought to use new technology simply to throw large numbers of people on to the scrap heap.

ASTMS and indeed the trade union movement as a whole has a clear strategy for achieving maximum benefit from the new technology. It is management and Government which refuse to recognise either the opportunities or the dangers.

(Dr.) Stephen J. Watkins.
(Council member, Medical Practitioners' Union section, ASTMS).
2, Keats Close, Langton Brow, Eccleston, Chorley, Lancs.

Inquiry needed into HMSO

From Mr. P. Spiegl

Sir,—Further to Mr. F. H. Smith's letter (September 22) concerning the HMSO Daily List, have subscribers tried ordering the Government publications offered? The ensuing delay in delivery is frequently many months—so long in fact that some publications are out of date.

Are readers also aware that most Government establishments in the UK are tied to HMSO for distribution of their reports with the inevitable result that these important works are frequently unobtainable or at best, obtainable only after such lengthy delay as to render their usefulness doubtful?

This unsatisfactory state of affairs also applies to many foreign institutions, since HMSO holds the agency.

A searching inquiry into Her Majesty's Stationery Office is long overdue.

Peter F. Spiegl.
6, St. George's Street,
Stamford, Lincolnshire.

Helpless at the IR's hands

From Shena Mason

Sir,—How good to see Mr. Kirwen (September 22) having a go at the Inland Revenue's (and successive Chancellors' persistently Victorian view of working wives. He is quite right about the irritation this causes independently minded women, some of whom earn considerably more than their husbands.

A wife's wish to be treated as a person in her own right does not necessarily reflect on the quality of her marriage; it is a basic right to which all are entitled, but which women have only recently been educated to expect.

From my own experience, several years of protracted negotiations with the Inland Revenue have never once produced any communication addressed to me personally. Everything, including receipts for cheques I write, is addressed to my husband. What allowances we bsve against tax go, of course, to him.

Tha ultimate irritstion, some years ago, was discovering that only he coold claim tax relief oo premiums I pay on life insurance I took out to provide for my own retirement.

With thousands of other women, I share extreme resentment at the unfairoess of this treatment and the attitude it implies.

Shena Mason,
95 Church Hill Road,
Solihull, West Midlands.

The third airport

From Mr. T. Whittle

Sir,—I concur with your correspondent, A. L. Beard (September 22), in questioning the need for e third Londoo Airport. Before embarking on massive expenditure the existing resources sbould be surveyed to see bow they might be improved to cope with tbe incresse in traffic.

The constant speding np of land transportation (e.g., advanced passenger trains) suggests thst into the next century internal air transport will decline and points to a need for interoational airports to be sited near lsrge conurbations

Prestwick International Airport is an excellent example. This airport is probably the most fog-free in Europe, witb good transport, take-offa over the ses, and no environment problems. Yet it is in serious danger of closing because of lack of traffic. Many jouroeys starting in Scotland have to go via London.

For an experimental period (preferably five aod not less than two years) why not try more connection landings et, say, East Midlands or Manchester and Prestwick, for those flights which take the great circle route over the Atlantic? Flights to Africa and the Far East migbt start in the North and call et London, thus spresding the pressure on airport services. Perhapa the airports could rednce their lsnding fees for this experimental testing period.

Thomas E. Whittle.
19, Kildoon Drive,
Moybole, Ayrshire.

Destroying wealth

From Mr. R. Musgrave.

Sir,—I see (September 11) Dow Corning is to get an £18.25m grant for a plant that creates 125 jobs in South Wales. With a subsidy this size it would seem, given certain not unreasonable assumptions, thet these 125 people may have the distinctioo of actually destroying wealth, not creating it.

The first essumption is that the operation just breaks even, that is just pays for the capital and interest required. The second concerns the time over wbich the capital representing the grant is written off; if this is ten years say, then there is £14,500 of grant to be written off per employee per year. In this plant it is quite probable that each employee will subtract velue aod the amount subtracted per annum, if the plsnt just breaks even, will be rooghly £14,500 minus tbe national average wage.

R. S. Musgrsve,
24 Garden Avenue,
Framwellgate Moor,
Durham.

Today's Events

GENERAL

UK: Liberal Party conference continues, Margate.

Zimbabwe-Rhodesie constitutional confereoce continues, Lancaster House, London.

Air Chief Marsbal Sir Michsel Beetham, Chief of the Air Staff, speaks at Batile of Britalo Ball, Grosvenor House, Londoo.

Mr. Gordon Borrie, director general, Office of Fair Trading, speaks at conference on European and U.S. competitioo lsw, Goldsmiths Hall, Loodon.

Ssve the Children Race Day, Ascot.

Overseas: President Lopez Portillo of Mexico meets President Jimmy Carter, Washington.

EEC Agriculture Ministers conference concludes, Dublin Castle.

Celebration of 250 years of Parliamentary government in Bahamas.

COMPANY RESULTS

Interim dividends: Cberles Huot. Percy Lane Group. Lyle Sbipping Company. F. Miller (Textiles). Modern Engineers of Bristol. Whatman Reeve Angel. George Wills and Sons (Holdings).

Interim figures: North Britisb Canadian Investment Company (third quarter figures).

COMPANY MEETINGS

Carrington Investments, 75, Harborne Road, Birmingham, 12. Cbarnos, Corporation Road, Ilkeston, 3. Diamond Stylus, Imperial Hotel, Llaodudno, Gwyned, 12.30. J. and J. Dyson, Cutlers Hall, Sheffield, 12. Longton Transport, North Stafford Hotel, Statloo Road, Sloke-oo Trent, 3. PMA, 25, Milk Street, EC, 12. Textured Jersey, Wincbester House, 100, Old Broad Street, EC, 12. Trafford Carpets, Mosley Road, Trefford Park, Manchester, 12.45. Vita-Tex, 73, Suckingham Avenue, Slough, 3. Joseph Wehh, Station Hotel, Dudley, 12. Wiggins Construction, Hart Road, Thundersley, Benfleet, Essex, 12.

Jump in financing costs pushes Dunlop down £6m

THOUGH Dunlop Holdings held operating profit at £32m for the first half of 1979, an £8m jump in finance costs and higher tax charge left almost nothing attributable to shareholders. However, the net interim dividend is maintained at 2.65p.

Hit by an estimated £3m loss of profit over the transport drivers strike and the long winter, the tyre producer made a bad start to the year. Despite a doubled profit in the second quarter over the first three months, the half time surplus fell from £22m to £16m.

Of this, tax took £14m (£13m), including £12m (£11m) overseas, with the high charge reflecting the greater proportion of overseas earnings and certain unrelieved losses.

Prospects outside Europe remain satisfactory but in the UK the company faces the problems of rising inflation, high interest rates, strong sterling and the very damaging effect of the engineering strike. Cost improvement and cash conservation measures remain high priorities, the directors say.

For 1978 profit was down at £48m, compared with a peak of over £72m seen two years earlier. The total payment last time was 5.3p.

The group's European tyre business, while in total incurring losses and having particularly difficult problems in the UK, did improve during the six months. Rationalisation costs of £10m involving mainly the closure of the Speke tyre factory have been charged to the £18m provision made in 1978.

External half year sales were up £77m to £768m with the overseas content 8 per cent better at £458m but UK exports were down 5 per cent to £75m. The share of associates, including £3m compared with £4m, from Pirelli, was £2m ahead at £7m but this growth was more than offset by financing charges, inflated by higher interest rates and enlarged borrowings, from £15m to £23m.

On a current cost basis along the lines of ED 24 the company would have shown a £3m pre-tax loss, against a £5m profit.

Profits of Dunlop's UK-based industrial, engineering and consumer divisions were lower but sports remained steady. Subsidiaries outside Europe were 8 per cent up. With exchange rates on a comparable basis the underlying advance here was about 20 per cent.

See Lex

HIGHLIGHTS

Lex considers the results from Dunlop which continues to struggle against serious problems in the UK tyre market and ever rising finance charges. *Interim profits are again lower although the dividend is maintained despite attributable earnings of nil.* Some very poor figures were revealed by Wimpey yesterday. Profits are down 42 per cent with the bad weather and haulage strike taking the blame. Results from two of the big insurance broking groups, C. T. Bowring and Alexander Howden, reflect the continuing squeeze on the sector caused by higher interest rates and stronger sterling, but at least Howden is forecasting some improvement for the full year. At Vickers trading is sluggish and compensation on shipbuilding assets has been referred to arbitration. Finally Lex comments briefly on the surprise twist in the Dalgety-Spillers saga. Other major companies reporting yesterday included Ready Mixed Concrete with reasonably good results, while British Printing Corporation virtually falls back to nil profit. Comments are also made on APV, Hambro Life, Wadham Stringer and Wm. Morrison.

Aberdeen Construct. below £1m

THE BAD winter hit Aberdeen Construction Group in the first half of 1979, and the taxable surplus fell from £1.21m to £845,564 on turnover of £26.09m, against £26.83m.

The directors say the work load is healthy and a substantial volume of work continues to be available for tendering. With some improvement in the weather, margins could be reasonable.

After tax of £400,000 (£580,000), earnings per 25p share are shown to have fallen from 5.75p to 4.04p. The net interim dividend is 2.1p (2p)—last year a total of 5.144p was paid from profits of £3.36m (£3.95m).

The directors do not consider the expense of a property revaluation is justified, although they are satisfied it would show a material increase on balance sheet values.

General & Commercial

After administration and interest costs almost £10,000 higher pre-tax revenue of General and Commercial Investment Trust was ahead from £327,179 to £381,461 for the half year to August 31, 1979.

Tax took £127,180 (£119,648) leaving earnings per 25p share up from 3.69p to 4.56p. With halftime gross assets valued at £13.02m, against a year-end total of £11.83m, net asset value at mid-year stood at 195p (189.9p).

The net interim dividend is stepped up to 3.3p (2.6p) partly to reduce disparity and absorbed £176,418 (£138,996). Last time a 6.87p total was paid.

Gross revenue, including a £10,114 special dividend this time from Unilever, was up from £396,093 to £460,264. Administration and interest costs amounted to £78,803 (£68,914).

Galliford Brindley at £2.9m

ADVERSE CONDITIONS, particularly severe weather, prevented Galliford Brindley from achieving the growth expected for 1978-79. Even so taxable profit for the year to June 30, was ahead from £2.51m to a record £2.87m with £1.64m, against £1.49m, coming in the second half.

At the trading level there was an advance of £654,454 before depreciation of £1.2m (£0.9m).

The current order books for the group, which has interests in building and development, civil engineering, heating and ventilating, engineering and plant hire, are generally adequate. To date there has been a reasonable start to the current year, says Mr. Peter Galliford, the chairman.

A net final dividend of 3p takes the total to 4.125p (3.417p).

After tax of £1.03m (£0.61m) the net balance emerged lower at £1.84m against £1.91m.

Vickers rises to £6.4m at halfway

TAXABLE profits of Vickers, the engineering group, rose from £5.16m to £6.39m in the first half of 1979 on turnover down from £191.4m to £184.5m. But the directors warn that if the engineering strikes are not ended quickly they will have serious repercussions for profits and employment this year, and into 1980.

The Board adds that all main activities, with the exception of Roneo Vickers and the Australian Engineering Group, made higher profits than in the corresponding period last year. But the strength of sterling and keen competition eroded margins on UK exports.

The pre-tax surplus was struck after investment income down from £313,000 to £66,000 and interest charges up from £5.21m to £6.24m.

Tax for the half year takes £2.2m (£2.1m) and after minorities of £76,000, against £441,000, the surplus is up from £2.61m to £4.12m.

The net interim dividend per £1 share is being maintained at 3.85p. Stated earnings per share are up from 5.5p to 9p.

Last year the groun paid a total of 9.814p from taxoble profits of £11.7m.

	Half year 1979 £000	1978 £000
Sales	184,488	[illegible]
Trading profit	12,538	[illegible]
Investment income	66	[illegible]
Interest payable	6,244	[illegible]
Share of associates	33	†13
Profit before tax	6,393	[illegible]
Tax	2,200	
Profit after tax	4,193	[illegible]
To minorities	76	441
Leaving	4,117	[illegible]
Pref. dividends	198	193
Attrib. before extraordinary items	3,919	2,423

† To associates.

The directors add that the group had called for a speedy settlement of the compensation issue and the opportunity to redeploy the funds. But, in the case of shipbuilding their stockholders' representative has reached deadlock in his negotiations with the Government and accordingly the Board has accepted his recommendation to refer the matter to arbitration.

Negotiations are continuing over the 50 per cent share of British Aircraft Corporation (Holdings) but the directors are not yet able to report any satisfactory progress.

See Lex

Gen. Investors & Trustees

Revenue of General Investors and Trustees improved from £724,000 to £936,000 in the half year ended July 31, 1979, before tax of £395,000 against £301,000. Total revenue was £1.21m, compared with £1.06m.

The directors do not expect that the second half will produce as good a result from property trading while dealing profits include some exceptional sales which will not be repeated in the rest of the year.

Earnings per share are stated as 3.5p, against 2.7p. Net asset value per share amounts to 151.8p compared with 155.7p.

The interim dividend is stepped up from 1.7p to 2p partly to reduce disparity and a special interim of 0.4p is also declared being accumulated dividends payable from BP, Shell and Unilever. Last year's final payment was 2.8p.

Associated Book down 15%

FIRST half pre-tax profits of Associated Book Publishers were 15 per cent lower at £1.02m and contrary to earlier hopes, annual pre-tax earnings are not now expected to exceed the £3.37m of 1978.

Earnings per share are stated as 6.2p, against 12.9p, but the directors have declared an increased interim dividend of 2.8p (1.9p)—the previous final was 3.229p.

Dividends Announced Page 22

Turnover rose from £13m to £13.7m. Sales in real terms were 16 per cent ahead, although the sterling value of sales in overseas subsidiaries was marginally lower in spite of a 30 per cent increase in Canada and a 10 per cent rise in Australia. UK sales were up 14 per cent.

After tax of £657,000 (£659,000) and minorities, £131,000 (£71,000), first half attributable profits were £235,000 against £468,000.

UK profits at £562,000 were £267,000 lower than 1978, caused by timing differences in the law publishing programme and trading difficulties in the important Nigerian market. Canadian pre-tax profits were 150 per cent ahead of last year and in Australia and New Zealand profits were up 40 per cent after relocation costs of the New Zealand company.

In the U.S., where losses were expected to be higher than last year, trading results were affected by the economic recession which markedly affected the retail trade.

Wimpey profits almost halved to £8.4m midway

AFTER five months of its worst contracting weather and the delay of the national transport strike, pre-tax profit of Wimpey Construction UK, formerly George Wimpey and Co., fell below expectation from £14.5m to £8.4m for the half-year ended June 30, 1979.

Total value of work carried out at home and overseas during the period at £428m was lower in real terms than the £406m in the 1978 half year "and in our efforts to keep faith with our clients we have had to work by uneconomical methods," says Mr. R. B. Smith, chairman.

The weather upset at home not only forced back the group's contracting programme but also deferred profits—only taken up at an advanced state of completion—which were further hit by additional inflation.

Work in the UK, however, is now going well with more housing estates being developed than last year and house sales holding up well. In the absence of unforeseen changes operating profit for the rest of the year should be close to that earned in the 1978 second half and should represent a higher proportion of the annual total, the chairman adds.

Interest charges will be higher, but subject to the availability of mortgages "we expect to produce satisfactory results for 1980 both at home and abroad," Mr. Smith states.

Operating profit in the half year slipped from £18.5m to £12m and net profit came out at £6.4m. The 1978 first-half tax charge is not relevant for comparison as the basis for accounting for deferred tax was substantially altered in last year's accounts.

The Wimpey group, building, civil, mechanical and electrical engineering contractors, set up a new holding company, George Wimpey Limited, at the end of last year.

Pre-tax profit for 1978 was a record £57.2m, on which a special dividend of 1.5p a 25p share was paid together with a special payment of 0.76042p.

A first interim dividend of 0.75p a share, payable on November 12 and totalling £1,920,000, is now declared.

See Lex

Mr. Clifford Chetwood, managing director of Wimpey. . . fairer weather ahead in second half.

Throgmorton Growth Trust

FOR THE year ended July 31, 1979, revenue before tax of the Throgmorton Secured Growth Trust was down, slightly from £343,954 to £333,301 but after lower tax of £103,729 against £131,204, the amount available for ordinary holders was higher at £229,572 compared with £212,750.

Earnings per share are stated as 2.3p (2.13p) and the final dividend is 1.8375p raising tha total from 2p to 2.25p.

Net asset value per capital loan stock unit amounts to 177.48p against 173.7p.

Wilkinson Warburton lower

THE FIRST-HALF profits decline forecast at Wilkinson Warburton turns out to be from £418,846 to £365,660. In his last annual statement the chairman warned of the effects of the bad weather and strikes which were delaying deliveries from manufacturers.

Sales for the first half of 1979 were ahead from £8.4m to £9.6m and trading profit was up from £547,076 to £581,250. But interest charges were almost doubled at £131,577, against £68,526.

	Half year 1979 £	1978 £
Sales	9,641,461	8,390,957
Trading profit	581,250	547,076
Interest payable	131,577	68,526
Depreciation	84,013	59,704
Profit before tax	365,660	418,846
Tax	210,950	[illegible]
Profit after tax	154,710	[illegible]
Pref. dividends	3,742	3,742
Ord. dividends	†44,979	40,803
Carry forward	2,666,907	[illegible]

† After £2,018 (1978 £1,830—year to December 31, 1978 £5,938) waived.

The directors say that sales and forward bookings for the remainder of the season show a very satisfactory increase. However, they point out that trading will be affected by the VAT increase and by how the tax rebates, due in October, are spent.

They add that it is therefore impossible to forecast the year's outcome with any acuracy.

Last year taxable profits totalled £1.03m on £19.4m turnover.

The net interim dividend per 25p share is being lifted from 1.76p to 1.94p. Stated earnings are down from 7.91p to 6.23p. Last year the paymant totalled 5.71p.

Appleyard down 22% mid-year

WITH INTEREST and display charges up from £461,000 to £684,000, taxable profits of the Appleyard Group of Companies fell by 22.2 per cent from £1.27m to £988,000 for the first half of 1979.

External sales, excluding car tax and VAT, improved to £70.04m (£68.86m). The group is engaged in the distribution and retailing of cars, commercial vehicles, agricultural equipment and fuel oil.

Mr. Ian Appleyard, the chairman, says very good results were achieved from the Rolls-Royce, Ford, commercial vehicle, fuel oil and contracts hire activities.

However, these were more than offsat by high interest charges and reduced margins on BL cars. In addition, further substantial trading losses were incurred in Glasgow where the reorganisation of the business continues.

He says the outlook for the second half is not encouraging, with continuing high interest rates, extremely competitive trading conditions, and the possibility of a further period of industrial unrest.

Having had the opportunity to consider fully the new plans for the future of BL announced recently, the group feels that these will enable BL to overcome its immediate difficulties and it welcomes tha bringing forward of the new models which the plan makes possible.

After tax of £240,000 (£338,000), half-yearly earnings per 25p share decreased by 2.3p to 9.23p. The interim dividend is held at 2.25p net absorbing £180,000 (same) and the board expects to maintain the final—last year, payments totalled 6.25p on record £1.95m pre-tax profits.

Comparatives have been restated as a result of changes in accounting policies.

UK COMPANY NEWS

Rise in sterling hits Bowring at halfway

WITH insurance broking profit hit by the strong pound and Bowmaker's credit finance business suffering from the effect of high interest rates, the taxable surplus of C. T. Bowring fell from £19.76m to £17.9m in the first half of 1979.

Mr. Peter Bowring, chairman, says the adverse factors in the first half have continued and are bound to affect full-year results. For the whole of 1978, profits reached £38.61m.

The chairman says that, in the period under review, Singer and Friedlander again showed an improved contribution, as did the underwriting interests. Trading and shipping activities continued to operate in difficult conditions, but he expects an improvement on last year's results.

Turnover for the half-year rose from £645.02m to £658.03m. Tax took £9.31m, against £10.29m. The net interim dividend is stepped up from 1.013375p to 1.47p—last year's total was 3.36105p.

The results incorporate a change of accounting basis at Bowmaker which now takes credit for leasing income in relation to funds invested. This means an increase in profits for period of £154,000 (£716,000), and £850,000 for the 1978 year.

	Six months 1979 £000	1978 £000
Turnover	658,028	645,020
Profit before tax	17,902	19,764
Tax	9,308	10,288
Net profit	8,592	9,496
Minority	284	277
Pref. dividend	5	5
Available	8,304	9,214

See Lex

F. Sumner falls 20% at midway

TAXABLE profits of Francis Sumner (Holdings) fell by 20 per cent in the first half of 1979. On turnover ahead from £7.8m to £6.6m the pre-tax surplus declined from £404,893 to £322,227.

The directors say the main reason for the profits fall was an acute downturn in trade at one of the manufacturing companies, and a consequent provision against a large build-up of stocks.

Further trading losses at Delta Mill, whose impending closure was announced last May, have also to be written off in the first six months. No provision has yet been made for its closure losses because they cannot be fully assessed until production ends later this year.

However, other companies are making reasonable progress. Although the order book has shortened considerably since April in some areas of the textile division, the board still hopes for a satisfactory outcome for the year. Taxable profits in 1978 totalled £693,466.

The interim dividend per 10p share is being lifted from 0.5p to 0.55p. Last year's total was 0.7918p. Stated earnings per share are down from 1p to 0.56p.

Tax for the period takes £90,000 (£135,000) and minorities £1,108, against £1,149, leaving the surplus down from £268,744 to £231,119.

The dividend absorbs £147,371, excluding ACT, compared with £133,973.

Six months fall at Bentalls

ALTHOUGH SALES, excluding VAT, were 8.5 per cent higher at £19.6m, pre-tax profits of Bentalls, department store operator, fell by £99,000 to £984,000 for the half year ended August 4, 1979.

The difficult trading conditions of the first half have so far continued into the second six months and the increase in sales compared with last year is at present still below target, the directors state.

The larger part of group turnover, however, is achieved in the second half and there is a seasonal increase in trade which usually starts in October. With additional consumer spending likely from substantial tax refunds plus the increased trade from various store improvements, the directors are hopeful of a satisfactory full year result.

For the year ended February 3, 1979, pre-tax profits were a record £2.93m on £41.7m sales.

The half-year's result included exceptional credits of £20,000 (£24,000 debits), which comprised a profit on the sale of property and a refund of general rates, offset by a loss on the Chatham store during reorganisation and computer development expenses. It is anticipated that this store will trade profitably during the second six months.

Comparative profit before tax was reduced by £39,000 in respect of depreciation for freehold buildings, charged for the first time in the 1978-79 accounts.

Earnings per 10p share are shown as 2.37p (2.61p) before tax of £453,000 (£476,000) and as 1.33p (1.46p) after the same. The interim dividend is kept at 0.3p net, again absorbing £125,000—last year's final was 1.01794p.

The enlarged and modernised Chatham store was opened early this month and trading since has been very encouraging, the directors say. At Kingston, phased renovation and re-equipment is continuing and the refurbished lower ground floor will be fully operational early next month.

In August, the group acquired Jordan and Cook, a furniture and furnishing business in Worthing.

A. Howden down in first half

PRE-TAX PROFITS of Alexander Howden Group, insurance broker and underwriting agent, were down from £11.5m to £11.09m for the first six months of 1979, but Mr. K. V. Groh, the chairman, says he would be disappointed if the current year's result was less than the previous year's £17.73m.

Half-yearly interest charge was up from £0.78m to £1.03m. After tax totalling £4.91m against £5.05m, and minorities, attributable profits dropped from £6.37m to £6m.

	Six months 1979 £000	1978 £000	Year 1978 £000
Trading profit	12,973	13,165	21,682
Depreciation	1,146	1,015	2,180
Interest charge	1,028	784	1,895
Share assoc. pfts.	293	147	122
Profit before tax	11,094	11,499	17,729
UK tax	4,038	3,883	6,050
Overseas tax	876	1,164	1,507
Minority interests	177	79	10
Net profit	6,003	6,373	10,162

Earnings per 10p share are shown lower at 6.83p (8.26p), while to reduce disparity the net interim dividend is raised from 2.5p to 3.5p—last year's final was 4.5p.

Mr. Groh reports that although UK results continue to be affected by excessive capacity in the insurance markets and by the strength of sterling, the home-based companies improved profits from £7.53m to £7.82m.

The group's U.S. excess and surplus lines operations appear to have passed the low-point of their cycle and minor losses after financing costs have been made good in July and August, he adds. The U.S. insurance companies continue to make good progress and trading profits for the half year exceeded £500,000.

Bermudian operations produced similar figures to last year.

See Lex

Owen Owen incurs loss of £210,000

Owen Owen, the departmental stores group, suffered a turnround from a profit of £95,000 to a loss of £210,000 in the 26 weeks to July 28, 1979. Sales were ahead from £44.18m to £45.93m, including VAT of £2.36m, against £1.78m.

At the annual meeting in June, Mr. J. A. H. Norman, chairman, had warned that first-half results might not reach those of last year, but he was confident the group would produce a satisfactory full-year performance.

He now says that sales in the UK and Canada have started slowly in the second half and no material improvement is expected before the critical pre-Christmas period which, in the UK, will coincide with tax refunds. In the last full year, there were taxable profits of £2.95m, on sales of £102.46m.

UK retail profits were lower than last time, the chairman says, chiefly because of a disappointing sales performance in the weeks after the June Budget. Sales, including the net increase from acquisitions less disposals, were 14.4 per cent higher. Plumb Contracts contributed a satisfactory profit increase.

An increased Canadian loss was accounted for by the inclusion of the results of the latest store opened in August, 1978. The six established stores reduced their loss. The chairman explains that Canadian sales and loss contributions have been reduced on conversion to sterling because of the lower exchange rate.

The net interim dividend is raised from 0.69p to 1p. The payment reflects the intention to increase the dividend to reduce disparity. The final will depend on the level of full-year profitability. Last year's final was 2.5005p.

After a tax credit of £50,000 (£94,000 charge), there was a net loss of £160,000, against a £1,000 profit.

Last year's half-time figures have been adjusted in line with the January 1979 accounting policy change on Canadian unmatured profit reserves.

GEN. SCOTTISH CONVERSION

Holders of a further £64,621 of 5¼ per cent General Scottish Trust convertible unsecured loan stock 1995-2000 had converted their holdings into 82,069 ordinary shares at September 25.

The board has decided to exercise the company's right to require the remaining holders of £83,210 of stock to convert into 105,676 ordinary shares.

If none of these remaining stockholders exercise their right to be repaid at par, the number of ordinary shares in issue will be 9,855,000.

Tate and Lyle Canada sugar plant closes

Redpath Industries, controlled by the Tate and Lyle group, is discontinuing sugar refining at its old established Montreal plant by the year end. *It will* mean a loss of 300 jobs.

The company says the Montreal refinery is now operating at only 50 per cent of capacity and the reason for the closure is over-production in Canada and economic considerations. The closure will mean a one-time after tax charge of $C7m in the current year.

RMC ahead to £15.2m in first six months

IMPROVED trading conditions in the second quarter of 1979, particularly in West Germany, resulted in Ready Mixed Concrete increasing pre-tax profits from £14.82m to £15.21m in the six months to June 30, 1979.

The profit rise was despite severe weather throughout Europe in the first quarter and the increase in the value of sterling, the directors say.

Recovery in the UK began later than the rest of Europe but indications are that this recovery has continued into the second six months.

Earnings per 25p share are stated as 11.2p against 11.9p. The interim dividend is raised from 2.79p to 3.35p—last year's total was 6.7p when pre-tax profits were £36.5m.

Operating profit for the first half was £17.1m (£15.9m) after depreciation of £11.5m against £10.5m. Profits on disposals on properties were £187,000 (£201,000).

Comparative figures have been restated to reflect changes in accounting for depreciation and deferred tax.

	Six months 1979 £000	1978 £000
Turnover	319,880	293,778
Profit	17,281	16,342
Interest	2,076	1,527
Profit before tax	15,205	14,815
Tax	4,968	4,721
Net profit	10,237	10,094
Minorities	1,544	1,333
Extraord. credits	978	—
Available	9,672	8,761

● **comment**

Ready Mixed Concrete can thank the beginning of a worthwhile performance in France for the small overall interim improvement. Relaxation of French price controls and a correction of management difficulties boosted the contribution from this source from almost nothing in the first half of 1978 to something approaching £1m. Elsewhere, RMC made practically nothing in the first quarter as much of Northern Europe froze but recovered very strongly from April onwards in West Germany. The upturn in the UK was less swift but the domestic contribution by the end of June had fully recovered, at some cost to margins, and the group is now reasonably confident that, after considerable catching up in July and August, volume in the full year will be maintained. West Germany, however, is set to become the pace-maker once again. The market is very buoyant and housing starts in the current year may rise by around 10 per cent. All of which suggests that, if the UK volume projections are right and France can continue its recovery, RMC is on course for at least £40m pre-tax this year. At 158p, up 2p yesterday, the prospective p/e would be a safe 6.3. The total dividend may be 8p net where the prospective yield would be 7.4 per cent. On both grounds, the share price is reasonably supported.

Tootal drops to £6.4m halfway

ADVERSELY AFFECTED by exchange rates, higher interest rates and a downturn in trading in July, taxable profits of Tootal, thread and textile manufacturer, *dropped from £8.04m* to £6.42m in the six months ended July 31, 1979. External sales were reduced by £3.92m to £190.45m.

The directors point out that the sale of Van Allan and its consequent exclusion from this year's results, coupled with other acquisitions and disposals, make comparison with 1978 difficult.

While prospects in major overseas operations appear reasonable for the remainder of the year, the final outcome for the group will be greatly influenced by exchange rates and the buoyancy of the UK retail market in the final quarter. It is unlikely to represent an improvement on 1978-79, they state.

Half-year interest charge increased by over £1m to £4.83m. Tax was £1m lower at £2.19m and after minorities extraordinary items, and preference dividends, profits attributable to ordinary holders fell from £4.4m to £3.42m.

Despite the present profit performance, the board is confident that the changes which have been made in the composition of the group, together with others under review, justify continued improvement in dividends.

The interim dividend is therefore increased *from* 1p to 1.1p net per 25p share, costing £1.95m—the previous year's final was 2.0415p on £21.1m profits.

	1979 £000	1978 £000
	Six months	
External sales	190,450	194,371
Trading profit	11,244	11,828
Interest	4,827	3,790
Profit before tax	6,417	8,038
Taxation	2,186	3,186
Net profit	4,231	4,852
Minority interests	707	174
Extraordinary debit	—	180
Pref. dividend	103	103
Attributable to Ord.	3,421	4,395

● **comment**

Tootal's interim figures are disappointing, particularly as the first half of this year contains an extra £½m or so net from the reorganised Australian operation, and the losses made by Van Allan, now sold to UDS, have rather cheekily been left out. On the other hand, the group reckons that the strengthening of sterling cost £0.7m on the translation of overseas profits. Tootal is confident that the recovery it was looking for this year will come through over the next couple of years, and it seems intent on taking steps to change the group's shape—such as the Van Allan disposal—in order to increase the return on assets. In the second half of this year there will be a contribution from "Ups 'n Downs," which just covered finance charges at the interim stage, but the group is worried about orders from UK retailers for the last quarter. It now looks as though Tootal will do well to make £18m, against £21.1m, in the full year. At 35p the prospective p/e may be around 8, fully taxed, while the yield is an alluring 14 per cent.

JERSEY GROUP BUYS UK HOTEL

Jersey's Suncrest Hotels group is taking over the 40-bedroom Berkeley Hotel in Southampton.

Mr. Denis Caro, chairman and managing director of Suncrest said "We wanted to expand our hotel operations and as we could not find the right property at an acceptable price in the Channel Islands, we felt that an expansion into the UK would be the logical move."

Suncrest, which controls seven hotels in Jersey providing some 550 beds, is associated through Anglo-Channel Leisure Investments with Travel International, a leading tour operator to the Channel Islands.

63% rise for Stag Furniture

A 63 per cent increase in taxable profits is reported by Stag Furniture Holdings for the first half of 1979. The surplus jumped from £1.04m to £1.69m on turnover 60 per cent ahead at £15.8m, against £9.9m, and the interim dividend is being raised from 2.3p net to 3.5p.

The results include a full half year's contribution from Meredew Furniture which was acquired on November 1, 1978.

The directors say that demand for furniture, while not buoyant, remains satisfactory, and the group is achieving its output targets. Taxable profits last year *totalled £2.29m from* which the group paid dividends of 6.5p.

Tax for the half-year takes £879,000 (£539,000), leaving net profit up from £497,000 to £811,000. Stated earnings per 25p share are well up from 12.02p to 19.66p.

Macallan Glenlivet up £100,000

Struck after higher interest charges of £270,000, against £134,000, *pre-tax profits of Macallan-Glenlivat* ended the July 31, 1979, year up by £100,000 at £502,000. Turnover of the malt *whisky distiller rose from £2.5m* to £3.32m.

Current demand for the company's products is encouraging and despite high malt, labour and energy costs, which will put severe pressure on margins in the next two months, the Board expects some further profit improvement in the first half of the current year.

Although results have been affected by high interest rates, the directors say they remain convinced that a continued investment in stocks, with the attendant borrowing levels, is desirable and will ultimately be highly profitable for the company.

Stated earnings per 25p share were 3.15p higher at 22.35p, while a final dividend of 3.8744p raises the net total from 5.1369p to 5.9045p. The directors add that the 10 per cent increase at *gross level is indicative* of their intention to retain a greater proportion of earnings for expansion programmes of fixed assets and whisky stocks.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aberdeen Construct int.	21	Nov. 30	2	—	5.13
Alva Investment ...int.	4.03	Oct. 31	3.18	—	7.37
Appleyard ...int.	2.25	Nov. 10	2.25	—	6.25
AFV ...int.	2.8	Oct. 31	2.23	—	6.48
Associated Book ...int.	2.8	Oct. 30	1.9	—	5.13
Bentalls ...int.	0.3	Nov. 6	0.3	—	1.32
BPC ...int.	1.1	Jan. 4	1.1	—	3.5
C. T. Bowring ...int.	1.47	Nov. 19	1.01	—	3.36
Cope Sportwear ...int.	0.2	Jan. 4	0.1	1**	0.2
Dunlop ...int.	2.65	Jan. 2	2.65	5.3	
F. C. Finance ...int.	1.1	—	1.1	—	2.2
Galliford ...	3	—	2.67	4.13	3.42
Gen. & Commercial int.	3.3¶	Oct. 29	2.6	—	6.87
Gen. Inv. & Trstees. int.	2‖	Oct. 31	1.7	—	4.5
Alexander Howden int.	3.5‡	Nov. 19	2.5	—	7
Macallan-Glenlivet ...	3.87	—	3.14	5.9	5.14
P. & W. Maclellan int.	0.5	Nov. 16	0.5	—	1.43
Wm. Morrison ...int.	0.7	Nov. 5	0.34	—	1
Owen Owen ...int.	1.0	Dec. 3	0.69	—	3.19
Rand London ...	8††	Nov. 30	—	11	10
RMC ...int.	3.35	Dec. 1	2.79	—	6.7
Solicitors' Law ...int.	0.75	Nov. 15	1.47	—§	1.47
Stag Furniture ...int.	3.5	Nov. 30	2.3	—	6.5
F. Sumner ...int.	0.55	Nov. 12	0.5	—	0.79
Throgmorton Growth ...	1.64	Nov. 8	1.39	2.25	2
Tootal ...int.	1.1	Jan. 4	1	—	3.04
Vickers ...	3.85	Jan. 4	3.85	—	9.81
Wace Group ...int.	1.2	Oct. 25	0.52	—	1.76
Wadham Stringer ...int.	1.21	Nov. 29	1.1	—	2.46
Wilkinson Warbrtn int.	1.94	Nov. 9	1.76	—	5.71
Wimpey Construct. int.	0.75	Nov. 12	—	—	—

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ To reduce disparity. § Maintained total expected. ¶ Partly to reduce disparity. ‖ Plus special interim of 0.4p. ** 0.8p final forecast. †† South African cents throughout.

BANK RETURN

	Wednesday Sept. 26 1979	Increase (+) or Decrease (—) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	24,226,528	— 2,583,892
Special Deposits	771,935,000	—
Bankers Deposits	547,912,490	+ 50,990,784
Reserves & other Accounts	707,751,063	+ 28,059,462
	2,066,378,081	+ 77,526,354
ASSETS		
Government Securities	1,575,145,471	+ 95,170,000
Advances & Other Accounts	164,950,700	— 42,986,519
Premises Equipment & Other Secs.	303,061,575	+ 5 575 258
Notes	25,994,792	+ 19,211,506
Coin	225,043	— 5,291
	2,066,378,081	+ 77,568,354
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	9,450,000,000	+ 25,000,000
In Circulation	9,424,005,208	+ 5,728,094
In Banking Department	25,994,792	+ 16,211,906
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	8,348,961,085	— 4,103,524
Other Securities	1,020,023,215	+ 29,103,524
	9,450,000,000	+ 25,000,000

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Wadham Stringer hit by heavy interest charges

AFTER more than doubled interest charges, profits before tax of Wadham Stringer, car, truck and van distributor, were down from £2.5m to £2.3m in the six months ended June 30, 1979. Turnover amounted to £121.6m against £94.29m.

Order books and sales rates are strong and this continues, the directors say. Besides the high cost of finance, operating and fixed expenses are rising continuously and this makes it difficult to predict the future.

The interim dividend is stepped up from 1.1p to 1.21p—the total last year was 2.458p from pre-tax profits of £4.01m.

Half year	1979 £000	1978 £000
Turnover	121,636	94,289
Trading profit	3,540	3,063
Assoc. Co. share	18	20
Interest payable	1,255	582
Profit before tax	2,303	2,501
Tax	622	675
Net profit	1,681	1,826
Minorities	24	24
Extraord. items	76	—
Earnings	1,733	1,802
Dividends	418	360
Retained	1,315	1,442

A circular is being sent to shareholders giving details of certain acquisitions and disposals, including Shetland Boats, which have been made since the beginning of the year.

The purpose has been to rationalise certain franchise arrangements with BL, to increase the involvement with Ford and to expand boat building and manufacturing activities so as to reduce overall dependence on the motor and vehicle distribution industry and increase the return on shareholders' funds, the board states.

● **comment**

There are no surprises in Wadham Stringer's first half results, which show a profits shortfall of 8 per cent after more than doubled interest charges. This reflects higher finance costs rather than any large jump in borrowings and a squeeze on margins from the BL distributorships, which bring in around 60 per cent of group profits. BL's declining market share is clearly a worry and to combat this, Wadham is spreading its interests into Ford dealerships and non-motor areas. For the moment though, the company is still heavily dependent on BL. Fortunately, it is located mainly in the south west, where BL sales have not been as depressed as elsewhere in the country. Unit sales of all new cars are about 9 per cent higher, with BL figures showing an impressive 14 per cent rise against the national trend. But the second half does not look as buoyant and the group may only manage a recovery with the help of acquisitions. On last year's earnings, the prospective p/e is under 4 at 36p while the yield, taking a line through the interim dividend, is 11 per cent. This compares with historical ratings of 5 and 7.6 respectively for the sector.

Solicitors' Law recovering

RESULTS of Solicitors' Law Stationery Society for the first half of 1979 shows that progress continues to be made in the recovery from the disappointing second half of 1978.

Sales for the first six months rose 2.9 per cent to £11.9m and pre-tax profits were £401,939 against £722,364 in the same period last year. At the end of the 1978 year, the group produced pre-tax profits of £796,000 and omitted the final dividend.

In view of the steadily improving situation, the Board is declaring an interim dividend of 0.75p and expects that the year's total should at least equal the 1.474p interim for 1978.

Mr. R. A. Hodges, chairman, says the first half results reflect the exceptional losses incurred in the final trading stages of the contraction or closing of unprofitable areas as outlined in his annual report.

Due to continuing unfavourable trading conditions in Belgium and France and the loss of the major agency, it was considered advisable to bring forward the planned closure dates of those operations so as to minimise the total potential loss, the chairman says.

Although this is likely to increase the costs of closure above the provisions made, there will be a partial offset in the containment of trading losses.

Vander-Oyez S.A. was closed at the end of May, 1979. Oyez S.A. closed for business at the end of July, 1979, but continues to operate on a minimal number of staff to effect the final disposal of stock and to complete the closure by the end of the year.

The rationalisation of Oyez Business Machines is proceeding slowly, and loss-making areas have been reduced. The company should have reached, on a month by month basis, a break-even position by the end of the year, Mr. Hodges says.

Oyez Press had an extremely good start to the year. Oyez Publishing and associate companies in Canada are making sound profitable progress.

APV profit falls £0.76m midway

A £0.76m fall in taxable profits to £7.71m for the first half of 1979 is reported by APV Holdings, the processing and heat transfer equipment group.

Mr. H. P. N. Benson, chairman, says the full-year surplus will be lower than the £18.12m last time because of the engineers' dispute—how much lower will depend on the length of the strike. He had earlier expected similar full-time profits.

The chairman says the whole of the half-year shortfall came from overseas, mostly as a result of the strong pound.

First-half order intake rose from £113m to £127m, adjusted to June 30, 1979, exchange rates. This was satisfactory, the chairman adds, although he is concerned that the combination of the strong pound and the increasing inflation rate will make the group less competitive overseas.

The net interim dividend is raised 25 per cent to 2.8p (2.2346p)—last year's final was 4.245p.

Turnover, excluding inter-company sales, increased from £114.55m. to £120.85m. Tax took £3.26m (£3.21m)—SSAP 15 has been adopted and comparisons restated. Earnings per 50p share are given as 15.3p (17.9p) basic, and as 13.8p (16p) fully diluted.

Half-year	1979 £000	1978 £000
Turnover*	120,850	114,550
Profit	7,741	8,594
Associated loss	34	124
Profit before tax	7,707	8,470
Tax	3,260	3,214
Net profit	4,447	5,256
Minorities	147	258
Attributable	4,300	4,998
Preference dividends	53	53
Ordinary dividends	775	615

* Excluding inter-company sales.

● **comment**

Ignoring the effects of currency movements, APV's interim profits are broadly unchanged but it is now virtually certain that a record of 15 years of unbroken growth is about to be lost. Many of the smaller subsidiaries are now running at a loss and profits from all other units are expected to be materially down. The ordering trend in non-food activities which contribute some 25 per cent of group earnings, is definitely falling but the food division has been very strong and more than enough to cope with the problems of the severe overcapacity in the brewing industry. The foundry operation turned round by £480,000 in the half year to a surplus of £200,000 but the engineering strike has throttled the benefit of this accelerating improvement. The dispute plainly kills any thoughts of a cogent earnings forecast but the group seems determined that the final dividend will be raised in line with the interim increase, unless of course the disruption runs into 1980, which indicates a prospective yield of 6.3 per cent at 186p. The shares dropped 7p yesterday to a new annual low and are obviously still vulnerable. But a one point discount to the mechanical engineering sub-sector average yield is a factor of the quality and reliability of past earnings.

FC Finance more than halved

After interest £1.28m higher at £3.29m, pre-tax profits of F. C. Finance fell sharply from £940,000 to £410,000 in the first half of 1979.

Turnover of the group, the ultimate holding company of which is Co-operative Wholesale Society, rose from £24.19m to £29.43m, and is split as to: advances and equipment leased £26.49m (£21.39m); and property sales £2.94m (£2.8m).

After an unchanged tax charge of £15,000 — SSAP 15 has been applied and comparisons restated —earnings per 25p share are shown to have fallen from £12.9p to 5.4p. The net interim dividend is held at 1.1p—last year a total of 2.2p was paid from profits of £1.83m.

Hire purchase and instalment credit was up from £39.3m to £49.63m, after unrealised finance charges.

Midway advance by Morrison

FOLLOWING THE record £3.57m in the last full year, Wm. Morrison Supermarkets expanded pre-tax profits from £1.42m to £1.92m for the six months ended August 4, 1979, on increased turnover of £61.57m against £50.47m.

Profit included rents receivable of £112,000 (£90,000), but was struck after interest charges up from £90,000 to £157,000.

Mr. K. D. Morrison, the chairman, feels the result is particularly pleasing in view of the difficult start to the year caused by the after effects of the lorry drivers' strike combined with bad weather conditions.

Work has continued to bring the ex-Whelans Discount Stores units up to the company's normal standards and the effects are increasingly showing in both turnover and profits, the chairman adds.

The net interim dividend is lifted from 0.343p to 0.7p per 10p share—last year's total was 1p.

The stores at Ince-in Makerfield of 32,000 sq. ft. and Darlington of 56,000 sq. ft. will open ahead of schedule in October, 1979, and April, 1980, respectively. It is anticipated that the 60,000 sq. ft. Harrogate store will open in the autumn of next year, while the extension of some 12,000 sq. ft. to the existing Halifax store will be completed by late 1980. A number of additional sites are at various stages of negotiation.

Construction of the 90,000 sq. ft. fresh food factory has commenced and is scheduled for completion in the middle of next year.

No calculation of tax charges have been made to the interim results, as the board considers that reliefs due to stock appreciation and first year allowances are impossible to calculate at this stage.

● **comment**

Considering the weather and delivery problems earlier in the year, Morrison's first half figures are pleasing. Stripping out Whelans, the new acquisition, there is still some volume growth on the groceries side and trading margins, at 3.2 per cent (2.8 per cent), are comparable with the major supermarket chains. Meanwhile, the physical expansion programme is going ahead strongly while Whelans is beginning to show its true potential. Overall, around £4.5m pre-tax looks possible for the year—an increase of more than a quarter. At 165p the share price has drifted downwards from the year's peak of 189p and there could still be some way to go, in spite of a doubled interim payout. Assuming the dividend increase is repeated at the final stage, the prospective yield is less than 2 per cent while the fully-taxed p/e is a hefty 17.4.

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Hambro Life new business up 43% to £666m

A SUBSTANTIAL rise in both new business and premium income over the first half of this year is reported by Hambro Life Assurance, a major linked life company.

New annual premiums advanced over the period by 19 per cent from £17.6m to £21m while single premiums were £31 per cent higher at £38.7m against £32m. New sums assured improved 43 per cent to £666m and the amount paid by the company in new initial commissions was up by 31 per cent to £10.1m.

Total premium income received by the company during the first half of the year improved 25 per cent from £83m to £104m of which income on regular premium contracts accounted for £65m—an increase of 27 per cent. Total assets on June 30, 1979, amounted to £816m compared with £690m at the end of 1978.

The new business transacted by the company over the period was well spread over the complete range of the company's contracts. But the greatest increase came from the Whole Life Plan, accounting for the higher rise in sums assured. Since June 30, the new business level has been running at a rate substantially higher than for the corresponding periods last year.

An interim dividend of 1.5p per share, net of tax credit, has been declared, compared with an equivalent 1.2p in 1978.

● comment

The new business growth of Hambro Life during the first half of the year, and the continued improvement thereafter auger well for shareholders in 1979. The company has managed to maintain a steady growth since its launch three years ago and has lifted the interim dividend by 25 per cent. Although the final results for the year will depend on the actuary's valuation, an advance in after tax actuarial surplus of 20 per cent to £10m is on the cards. Assuming that the company lifts the final dividend in line with the interim, a total of 6p nat seems in prospects giving a yield of 6½ per cent at 135p.

Cope Sportswear raising £0.5m to fund acquisition

Cope Sportswear is proposing a rights issue to raise £0.5m net to part-finance the acquisition for £1.25m of Sperrin Textiles from Handelmatschappij Chemie-Silk NV.

At the same time Cope reports a profits down turn from £285,000 to £56,000 for the first half of 1979 but the interim dividend is raised from 0.1p to 0.2p with 1p forecast for the full year (0.2p).

A total of 1.76m new ordinary shares will be issued on the basis of one-for-seven at 30p compared with 41p, unchanged, in the market last night.

The directors have agreed to take up their entitlement to nearly 64 per cent of the new shares. The balance has beeen underwritten by County Bank.

Cope says that although the company continues to trade within its existing borrowing facilities, the directors consider that in view of the company's recent rapid expansion it is now appropriate to raise further permanent capital.

The consideration for Sperrin is payable in cash as to £0.5m on completion, £0.25m after six months and the balance after a further six months.

Sperrin makes fabrics for the leisure and home furnishing industries. It has manufacturing facilities in Coleraine, Ulster, and a sales office in London.

For 1978 Sperrin's profits amounted to £0.26m and, at year-end, net tangible assets totalled £0.54m. A revaluation of assets is expected to show a substantial surplus over book value.

The vendors have warranted that Sparrin's profits for the current year will not be less than £0.4m.

Explaining the first balf shortfall, Cope's directors say that the first quarter was adversely affected by the transport strike, weather conditions and other external industrial action.

"They say that with the addition of Fabrics and Pennywise, the pattern of trade has changed, and second half sales will be higher than the £6.35m shown in the first six months.

activities are not further disrupted late in the year, it is expected that the results for the second half year will be satisfactory," they add.

ARLINGTON MOTOR EXPANSION

Arlington Motor Holdings has agreed to buy the trading assets and goodwill of Hove Motors and Hove Motors (Services) for an aggregate consideration of £404,000. The companies are located in the Brighton and Hove area and trade as motor car dealers for Audi/Volkswagen products and used car retailers, and provide service and spare parts facilities to retail customers and the motor trade.

The assets being acquired consist of freehold and leasehold properties for an agreed price of £194,000, plant and equipment for £74,000, new and used car stocks, other stocks and parts for around £114,600 and goodwill for £22,000.

Based on the audited accounts of the vendor companies for the year 1978, the profits before tax attributable to the assets being acquired by Arlington were approximately £82,000.

The consideration is to be satisfied by the issue of 374,735 new ordinary shares and, if necessary, a cash adjustment. Completion is expected to take place on October 5, 1979. Arrangements are being made for these new shares to be placed in the market.

The acquisition of Hove Motors will expand Arlington's successful existing Audi-Volkswagen retail business with a franchise in a part of the country where Arlington has not, so far, been represented.

It will improve the balance of the company's vehicle sales activities which in the year 1978-1979 were: commercial vehicles 49 per cent, vans 10 per cent, buses and coaches 21 per cent, and motor cars 20 per cent.

NO PROBES

The following mergers are not to be referred to the Monopolies Commission: Rediffusion/Telsys Corporation. UK interest of Young and Rubicon Inc./UK interests of Marsteller Inc. Stelrad Group/Heating business of AGA AB.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Executex Clothes, Charles Hurst, Percy Lane, Lyle Shipping, F. Miller (Textiles), Modern Engineers of Bristol, James Neill, Whatman Reeve Angel, George Wills.

Finals—A. and J. Mucklow, Charles Sharpe, Singapore Para Rubber Estates, Wankie Colliery.

FUTURE DATES

Interims—	
Bulmer and Lumb	Nov. 23
Debenhams	Oct. 11
Empire Stores (Bradford)	Oct. 10
Firmin	Oct. 5
First Castle Securities	Oct. 4
Freemans (London S.W.9)	Oct. 8
Hunting Gibson	Oct. 8
Northern Securities Trust	Nov. 21
Read Executive	Oct. 3
Smith St. Aubyn	Oct. 17
Walker (C. and W.)	Oct. 2
Finals—	
Berry Trust	Nov. 2
Ingall Industries	Oct. 1
Lake and Elliot	Oct. 10
Lyles (S.)	Oct. 8
Sanderson Murray and Elder	Oct. 4

British Printing slumps to £60,000 at halfway

A PROFITS dive is reported by the British Printing Corporation for the first half of 1979. The taxable surplus fell from £1.87m to £60,000 on sales ahead from £79.4m to £91.3m.

The directors say the main reasons for the downturn are the heavy losses suffered during the transport strike and the suspension of Times Newspapers. Sun Printers, which prints the Sunday Times colour magazine, lost £1.3m during the half year.

The board adds that had it not been for these two major factors printing profits would have increased significantly over 1978.

The directors add that the impact of the Times dispute and higher interest charges—up from £1.79m to £2.17m at midway—continue to affect profits in the second half.

The packaging companies generally performed satisfactorily but the division's overall result has been affected by delays in commissioning a new factory due to bad weather and the start-up costs of the new medical products investment.

Publishing results were depressed mainly due to initial launch costs of language courses in Europe and the effect of the strong pound. Half-year exchange losses were £778,000, against £246,000 surplus. However the directors are looking for a strong second half in publishing.

The interim dividend is being held at 1.1p net. The total payment last year was 3.5p after the group had lifted the taxable surplus from £5.76m to £7.12m.

The interim pre-tax profit was struck after an exception debit this time of £158,000.

Tax for the period takes £430,000 (£605,000) and minorities are £79,000, against £103,000.

● comment

Special factors have exaggerated still further the seasonal bias towards the second half at BPC, which had anyway been increased by the reallocation of the Scandinavian publishing profits into July-December. The transport dispute and the Sunday Times closure probably cost rather more than £1m in the first half, representing the bulk of the £1.8m pre-tax setback, and with the publishing side going well there is a good chance that the second half will not fall too far short of the £5.3m pre-tax recorded for the same period last time. Forecasting is always difficult for BPC, especially so this year because it is an open question whether the Sunday Times will come back for the final couple of months. Still, the decision to hold the interim payment, perhaps the least the board could do within a year of the rights issue at 44p, suggests that the yield of 15.2 per cent at 34p is safe.

Wace Group £295,000 rights issue

A £295,000 rights issue has been launched by Wace Group, the printing industry supplier. Also released yesterday were the half year figures to June 30 last showing a rise in pre-tax profits, including Gee and Watson, from £156,500 to £175,400. The interim dividend is more than doubled from 0.525p per share to 1.2p per share.

The rights issue is of 656,084 shares on the basis of one-for-three at 45p each. In the market Wace's shares fell back 7p to 58p.

Turnover for the half year increased to £2.85m from £1.19m and after tax of £76,000 (£66,000) net attributable profits came out at £96,950 (£85,642). Earnings per share are stated at 4.93p compared with 4.47p.

However the bald figures are distorted by the inclusion of Gee and Watson. This company, acquired in September 1978, chipped in sales of £1.59m and pre-tax profits of £117,500 before financing costs of £37,600. The comparative figures included temporary employment subsidy of £21,280 in pre-tax profits.

Initially the cash will be used to reduce borrowings. Following the £532,500 cash outlay on Gee and Watson and a major investment programme over the last 12 months costing around £600,000, Wace's borrowings have risen to just over £1m.

Turning to the trading performance the chairman, Mr. N. Castle, says that the shortages of newsprint caused by the hauliers' strike reduced trading activity in the early part of the year. However trading is improving and the directors believe that prospects for the rest of the year are encouraging.

Fitch Lovell makes good start to current year

THE CURRENT year had got off to a good start at Fitch Lovell, Mr. Michael Webster, chairman, told shareholders at yesterday's annual meeting. The first four months' results were ahead of last time.

He was encouraged by further improvement at Key Markets and a continuing healthy profits growth from the manufacturing sector.

He believed the group was well placed to withstand external factors and show further progress in the current year. Performance in 1978-79 and the current year showed the benefits of the group's balanced spread of interest, he added.

The chairman said vigorous action would continue to be taken at Lovell and Christmas Group, the canning interests and wholesale activities of which had turned in a poor performance last year. The early months of the current year had shown signs of improvement.

On the marine farming side, the chairman said the salmon operation—which was about to move into profit—had been put back two years through toxic algae in Loch Striven. But development would continue.

At the annual meeting held today, the chairman reported as follows:

Crench Group—Mr. R. Clempson said he was confident the group will record satisfactory growth in earnings and net assets per share for the current year.

Laurence Scott—Mr. P. M. Tapscott reported that the first 11 days of the engineers' dispute had reduced group cash flow by £1m. Such action hit particularly hard any company in the process of recovery.

The group was aiming for a suitable measure of recovery this year. It would be manufacturing even more out of time-scale, particularly at Norwich, with the inevitable adverse effect of profitability.

Scottish, English & European Textiles — Mr. J. H. Mackenzie said: "management accounts for the first four months of the current year continued to show satisfactory results, although the availability of labour was causing problems. Despite the strengthening of sterling, the forward order position remained healthy."

F. H. Tomkins — Mr. Gerald Garman reported that results to the end of August were better than last time. But, in view of general labour relations, it was almost impossible to forecast what the first half and full year would produce.

Dalgety will not increase £70m offer for Spillers

BY RAY MAUGHAN

Dalgety will not increase its £70m share offer for Spillers. The bidder announced yeterday that "in view of the lack of any convincing argumants from Spillers and, in particular, the lack of any profit figures for the six months ended August, 1979, there is no case for any improvement in the terms of the offer."

The decision is binding and Dalgety has thus deliberately forfeited the right to come hack with higher terms at a later stage. Its offer first closed last Friday and was accepted by bolders of 29.1 per cent of Spillers' equity, inclnding a 12.3 per cent stake held by Dalgety's financial advisors, Lazards.

The hid has been extended until next Monday and Dalgety has the rigbt to extend again the hid lapses at the end of October. The latest move, explained Dalgety chairman Mr. David Donne, is designed to "knock ont" the widespread speculation that the terms were about to be raised.

Mr. Michael Vernon, chairman of Spillers, made it clear that he had no plans to bring tha pnblication of the group's interim figures forward from October 24, and was quoted yesterday as saying that the management accounts for the period were "not tarribly relevant." With flour margins under pressure and a disappointing contribution from Modern Maid in the U.S., the group is known to have gone through a tough first balf.

The decision to stick with the original *one-for-six* share offer terms was described by Spillers as a "gambler's last throw or a ploy to winkle out fainthearted shareholders."

The defendar claims that its analysis shows that small shareholders, who own around 55 per cent of the outstanding equity, are "unimpressed" with Dalgety's terms.

HYMAN VENTURE WITH USM

I. and J. Hyman has entered into agreements with United States Mineral Products wherehy they will jointly purchase certain rights to exploit new technology in the manufacture and processing of expanded polystyrene.

The rigbts will be acquired by a joint company established in Switzerland (Cellofoam AG) owned by Hyman (51 per cent) and USM (49 per cent). The consideration payable by Cellofoam AG to acquire the rights in question will be U.S.$375,000 plus the payment to the vendors annually of one half of the net profits of Cellofoam.

Cellofoam will, in addition, spend a further sum of $150,000 in developing the rights acquired. Hyman's investment in Cellofoam AG will be U.S.$237,000.

Cellofoam has agreed to enter into two licences to exploit the polystyrene technology—one relates to nine states in Southern U.S. and bas been granted to the vendors of tha technology.

The other relates to the remainder of North America and has been granted to a new partnership (Cellofoam North America) established by Hyman and USM in New Jersey (in which Hyman'a interest is 49 per cent and USM's interest is 51 per cent). Both these licences bave been granted royalty free.

AVERYS/GEC

Averys has advised its sharebolders not to sell their shares.

Mr. Richard Hale, the chairman, has given this advice in a letter reminding Averys shareholders that the board is unanimously opposed to the bid by GEC.

The terms offered by GEC are "totally inadequate" says Mr. Hale. He says that be will write to them again sbortly to explain the reasons why the offer should be rejected.

B & H/MINCORP

Burnett and Hallamshire Holdings announces that acceptances of tha recommended offer for Mining Investment Corporation have been received from the holders of 94.72 per cent of the share capital of Mincorp.

The offer is now unconditional and all the other conditions of the offer will be satisfied npon the completion of tha acquisition by Mincorp of the capitals of Waterhays and Oaken which is expected to take place on September 28. The offer will remain open, until further notice.

Homestake steps up its gold exploration

BY PAUL CHEESERIGHT

AMERICA'S Homestake Mining, the largest gold producer in the U.S., has sharply expanded its exploration programme in order to increase its ore reserves. The programme is part of a plan to raise the contribution of gold to one-third of the group's net income over the next ten years.

The exploration budget this year is $10m (£4.6m), compared with $2.5m in 1978, Mr. Harry Conger, Homestake'a cbief executive, said yesterday. Expenditure of $10m is also planned for next year. The focus of the effort will be the U.S.

But the group bas not been able to take maximum advantage of tha recent surge in the bullion price. Production from its major operation, the century-old gold *mine* in the *Black Hills of South* Dakota, is running between 15 and 20 per cent below normal.

This is becansa the group is investing in a change of mining methods, which eventually will permit the use of more mechanised techniques, Mr. Conger said.

Although income from gold will be substantially bigher this year than last, the changes at the mine are nevertheless adversely affecting earnings. But Mr. Conger would not offer an estimate of 1979 profits.

As far as the gold price is concerned, Mr. Conger thinks it will stay relatively high at around present levels expressed in *1979 dollars. But* ha conceded that Homestake, while expecting a rise, had underestimated the extent of it, by 50 per cent.

Coal action call

A bid to break down the *divisions between the minerals industry*, the U.S. government and environmental interests was made at the American Mining Congress in Los Angeles by Dr. Michael Koleda, the executive director of President Carter's commission on coal.

He was arguing for a greater use of coal by power utilities and industry and made a plea for a unified approach to reducing U.S. *dependence on imported* oil.

The commission was established by President Carter last year to examine the state of the industry in the aftermath of a long and damaging strike.

Mining share markets advanced strongly yesterday in the wake of the climbing metal prices. South African Gold shares dominated the scene with strong buying from the U.S., the Continent, Johannesburg and London impinging on a market none too well supplied with stock.

The pace of the buying *quickened in the afternoon*, immediately before the gold "fixing" when the bullion price touched a highest-ever $397 per ounce. It subsequently closed at $395¼, a rise of $18¼ on the day.

Share prices lost only a fraction of their gains at the close and rises on the day extended to £3¼ in the case of West Driefontein £31¼. The gold mines index showed one of its biggest-ever rises of 20.6 at 247.1, its highest since November, 1975. In ex-premium form it was 17 np at 214.3, the highest since August 1975.

Dr. Koleda's conciliatory remarks cut across the prevailing mood of confrontation at the congress where intense anger has been constantly expressed about the aims of environmentalists and the regulatory policies of the Administration.

"The true significance of the passing of the 1970s is that tha isolated approach to energy, the economy, the environment and national security is no longer acceptable."

The coal commission estimates that the replacement of oil and gas in power stations and large industrial boilers by coal could save the energy equivalent of 1.5m barrels of oil a day by 1985 and 2.2m by 1990. Present U.S. energy consumption is equivalent of about 17m barrels of oil per day. Oil imports run at about 9m barrels per day.

His calculations were made against the background of depression in the coal industry caused by flat markets and sagging prices. Small mines have been closing and the number of unemployed miners is rising.

The reluctance of major users to burn more coal wben it costs between one-third and one-half the price of oil are varied, Dr. Koleda noted.

Power ntilitiea can pass on to their customers the higher costs of using imported oil without having to face inquiries into their charges, but they cannot pass on directly the cost of converting or constructing facilities to use coal.

At the same time, the utilities are fearful of ettempts by local citizens to block tha building of new power stations and they want to keep a mix of fuel options, Dr. Koleda said. They are concerned that uncontrolled rises in rail freight charges will wipe out the benefits of coal relative to oil.

And, Dr. Koleda charged, environmental groups have not faced np to the fact that solar energy and greater conservation will not reduce oil imports quickly *enough from* their current levels.

ROUND-UP

South Africa's Rand London Corporation announces a final dividend of 8 cents (4.4p) bringing the total payment for the year to June 30 to 11 cents against 10 cents. In August the company announced net profits of R3.11m (£1.72m) compared with R1.85m in 1977-78.

* * *

In tha 12 weeks to September 19 Australia's Mount Lyell, a member of the Gold Fields group, milled 248,960 tonnes of ore grading 1.35 per cent copper. This bad a metal content in concentrates of 3,021 tonnes of copper, 75,927 grammes of gold and 403,282 grammes of silver.

* * *

Inspired by the strength of gold and silver prices, Australia's Mount Carrington Mines and Aberfoyle Exploration are concluding a joint venture deal for precious and base metal prospecting in the Drake mineral field of northern New South Wales. Aberfoyle, a member of the Consolidated group, will manage the venture and can earn a 30 per cent stake by spending A$200,000 in the first three years on the exploration work, this rising to 50 per cent with the expenditure of A$600,000 over five years.

ALVA INVESTMENT TRUST—Gross income for August 31, 1979, half-year £114,210 (£101,981). After expenses £9,202 (£8,278), revenue before tax £105,000 (£93,703). Net asset value per 25p share 217.3p (207p). Interim dividend 4.025p (3.1625p) net.

Canadian view of rising demand for minerals

WORLD demand for minerals is expected to "escalate at remarkable rates," according to Mr. Harold Fargey, executive vice-president of Cominco, reports John Soganich from Toronto in his latest round-up of the Canadian mining scene.

Mr. Fargey pointed out that "knowledgeable forecasters" (including Cominco) expect world consumption of most metals to double within the next 20 years. This, he thought, would severely strain the producing capacity of Canada and the other metal mining nations.

Canada's Department of Energy, Mines and Resources estimates that just to maintain Canada's present share of the minerals' market will require the development of 250 new mines—about equal to the same number that are now in operation.

Mr. Fargey said that the task of finding the new mineral deposits needed will be "a formidable undertaking." But given a favourable regulatory and tax environment, he expected that the major mining companies would accelerate their Canadian exploration activities in the 1980s."

And he pointed to the important part that the junior exploration companies could play in this, "with their ability in reacting quickly in acquiring ground and their skills in financing new ventures."

* * *

Kerr Addison's C$78m (£31m) Agnew uranium mine near Espanola, Ontario, which started production as recently as June, 1977, is to be run down over the next six months. Thereafter it will be placed on a salvage leach basis for as long as it is economic to recover uranium from stocks of broken rock underground and on surface.

The troubled operation bas produced less than 40 per cent of capacity, largely because of a poor rate of uranium recovery from the ore, and has sustained substantial financial losses.

* * *

The Anglo American Corporation group's Hudson Bay Mining and Smelting has signed a new three-year collective bargaining agreement to cover certified employees in the company operations in Flin Flon and Snow Lake. It will run from October 1, 1979, to September 30, 1982. A membership vote on Wednesday, September 19, 1979, ratified the agreement with a 77 per cent majority.

Directors admit conspiracy and fraud in tax case

BY PETER O'CONNELL

SEVEN company directors yesterday admitted charges of conspiracy and tax fraud in the first case to use the controversial section 23 of the 1976 Taxes Management Act, which gives the Inland Revenue power to search premises and seize documents.

A warrant was granted by Judge George Black at Birmingham Crown Court in March 1977, to search for evidence in a "spider's web" of fraud among nine companies, said Mr. Benet Hytner, QC, prosecuting counsel.

At Northampton Crown Court yesterday the Inland Revenue pursued its prosecution of Kenneth George, Philip Barlow, and John Addison, directors of Tri-Kem Chemical Company, Northampton; Ernest Berrow, managing director of Jobe Plating, Birmingham; Trevor Wilden, partner of H. E. Wilden and Son Engineers, of Birmingham; Bruce Green, managing director of Janda Chemicals, Northampton; and Geoffrey Blanshard, managing director of Mile Chemicals, Northampton.

George, Barlow and Addison each admitted five charges of conspiring to falsify documents. Addison, Berrow and Wilden admitted conspiracy. Blanshard denied conspiracy but admitted six charges of defrauding the Inland Revenue.

Mr. Hytner said: "It was the first time that such a warrant had been granted and executed in England. It was highly successful. Other people may have disapproved of the way this new power was used by the Inland Revenue."

Mr. Hytner said £119,000 had been lost in the frauds which ran over seven years to June, 1976. He explained the money was obtained by entering details on the invoices of each other's companies and were then entered into the accounts books as if purchases had actually gone ahead.

In fact, Tri-Kem's three directors split the proceeds they gained from avoiding the revenues which should have been charged, said Mr. Hytner. Barlow even had invoices printed with the names of three companies unknown to them: Van Leer (UK), the London packaging subsidiary of British Tar, Berk Chemicals of Basingstoke, and Fibre Drums of St. Helens, Lancashire.

Mr. Hytner said: "These invoices were passed to Green, probably in exchange for Janda invoices. Green used them to create false purchases in the Janda books."

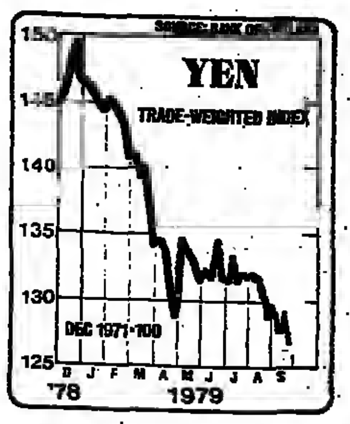
The case continues today.

المكتب الأولي

CURRENCIES, MONEY and GOLD

$ very weak

The dollar fell sharply in nervous foreign exchange trading yesterday, reflecting disappointment at the low level of support given by the Federal Reserve and news that Venezuela is to raise the price of heavy oil by 5.05 per cent from Monday. The dollar was weaker against all major currencies except the Japanese yen, where it improved to Y223.40 from Y222.75. The U.S. currency fell to DM 1.7465 from DM 1.7645 against the D-mark, and to SwFr 1.5565 from SwFr 1.58 in terms of the Swiss franc. The dollar's trade-weighted index on Bank of England figures, fell to 83.7 from 84.2.



Sterling was helped by the decline of the dollar, but also lost ground against the major European currencies. The pound opened at $2.2035-2.2045 and touched a high point of $2.2175-$2.2185. Several European central banks, including the Bank of England, intervened to help the dollar, and as the dollar recovered sterling fell to $2.1900-$2.1910. It closed at $2.2027-$2.2037, a rise of 1.47 cents on the day. The pound's index, as calculated by the Bank of England rose to 69.1 from 68.7, after standing at 69.0 at noon, and 69.5 in the morning.

NEW YORK—The dollar tended to stabilise in early trading after a sharp fall against the D-mark and Swiss franc. It improved to DM 1.7468 against the D-mark from an early rate of DM 1.7444, but well down from the previous close of DM 1.7610. Central bank intervention was described as muted.

FRANKFURT—The Bundesbank bought $10.55m when the dollar was fixed at DM 1.7438, its lowest level since the end of October last year. On Wednesday it was fixed at DM 1.7688. The German authorities and other European central banks gave assistance to the U.S. currency in the open market. Rumours that the Organisation of Petroleum Exporting Countries may be switching out of dollars into a basket of currencies or sterling added to the pressure, and the market was also nervous ahead of the U.S. trade figures. The Bundesbank probably intervened around the DM 1.7475 level, and the Federal Reserve was expected to give support later.

MILAN—The dollar came under heavy pressure, falling to its lowest level since the end of October last year. It was fixed at L803.30 against the lira, compared with L809.35 on Wednesday, and the Bank of Italy sold half of the $30.3m traded officially. EMS currencies and the Swiss franc rose sharply. The D-mark was fixed at L460.55, compared with L457.71 previously, and the Swiss franc rose to L517.80 from L512.40. Sterling improved to L1,763.90 from L1,755.40.

TOKYO—The dollar showed little change against the Japanese yen, closing at Y222.75, compared with Y223 on Wednesday. The U.S. currency touched a low point of Y221.90, and rose to a best level of Y222.80 during the morning. Settlement of import bills continued to help the dollar, but this was balanced by expectations of an increased U.S. trade deficit in August.

THE POUND SPOT AND FORWARD

Sept. 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1900-2.2185	2.2027-2.2037	0.35-0.25c pm	1.63	0.80-0.70 pm	1.36
Canada	2.5600-2.5830	2.5805-2.5825	0.50-0.40c pm	2.11	1.40-1.30 pm	2.11
Nethlnd.	4.23-4.30	4.25¼-4.26¼	4¾-3¾c pm	4.57	5¼-4¼ pm	4.46
Belgium	61.55-62.60	61.97-62.07	10c pm-par	0.97	18-8 pm	0.83
Denmark	11.10-11.33	11.20½-11.21½	7½-9½ore dis	-8.10	18½-20½ dis	-6.96
Ireland	1.0280-1.0427	1.0295-1.0305	2.7-3.7p dis	-3.73	7.7-8.7 dis	-3.19
W. Ger.	3.81-3.86	3.84½-3.85½	2¾-1¾pf pm	7.02	6½-5½ pm	6.50
Portugal	107.50-109.00	107.85-108.25	30-80c dis	-6.11	160-260 dis	-7.80
Spain	144.70-146.25	145.47-145.57	35-75c dis	-4.12	125-225 dis	-4.81
Italy	1,757-1,780	1,763-1,771	2 lire pm-par	0.68	2½-4½ dis	-0.79
Norway	10.75-10.92	10.78½-10.79½	5¼-7¼ore dis	-7.50	6-8 dis	-2.59
France	9.05-9.11	9.03½-9.05	1½-½c pm	1.16	1¼-¾ pm	0.61
Sweden	9.03-9.15	9.10½-9.11½	2ore pm-par	1.32	3½-1½ pm	1.21
Japan	485-495	491½-492½	2.90-2.60y pm	6.70	8.50-8.20 pm	6.79
Austria	27.40-27.95	27.62-27.72	20-10gro pm	6.51	40-30 pm	5.06
Switz.	3.40-3.47	3.42½-3.43½	4¼-3¼c pm	13.12	11¼-10¼ pm	12.54

Belgian rate is for convertible francs. Financial franc 64.35-64.45. Six-month forward dollar 1.35-1.30c pm. 12-month 2.00-2.90c pm.

THE DOLLAR SPOT AND FORWARD

Sept. 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1900-2.2185	2.2027-2.2037	0.35-0.25c pm	1.63	0.80-0.70 pm	1.36
Ireland†	2.1260-2.1420	2.1370-2.1420	1.25-1.05c pm	6.21	2.70-2.40 pm	4.77
Canada	1.1581-1.1685	1.1681-1.1684	0.04c pm-par	0.21	0.20-0.15 pm	0.82
Nethlnd.	1.9330-1.9365	1.9330-1.9345	0.65-0.45c pm	3.10	1.65-1.45 pm	3.10
Belgium	28.15-28.21	28.15-28.18	2-6c dis	-1.49	3-7 dis	-0.77
Denmark	5.0900-5.1020	5.0900-5.0925	3.5-4.0ore dis	-8.84	6.0-8.5 dis	-5.48
W. Ger.	1.7440-1.7470	1.7460-1.7470	0.80-0.70pf pm	3.15	2.26-2.15 pm	5.06
Portugal	48.90-49.15	48.90-49.05	25-40c dis	-7.97	80-125 dis	-6.78
Spain	66.03-66.08	66.03-66.05	30-50c dis	-7.27	100-125 dis	-6.88
Italy	803.30-804.00	803.30-803.70	0.55-0.95 lire dis	-1.12	4.25-4.75dis	-2.24
Norway	4.8900-4.9200	4.8900-4.9000	1.0-1.5ore dis	-2.06	0.90-1.40dis	-0.94
France	4.0900-4.1025	4.1000-4.1025	0.10-0.17c dis	-0.39	0.70-0.80dis	-0.73
Sweden	4.1300-4.1355	4.1345-4.1355	0.05ore pm-0.15dis	-0.29	par-0.25 dis	-0.12
Japan	222.20-223.50	222.30-222.50	1.0-0.85y pm	4.97	3.05-2.90 pm	5.33
Austria	12.555-12.582	12.555-12.565	3.70-2.20gro pm	3.21	12.5-11.5 pm	3.79
Switz.	1.5545-1.5690	1.5555-1.5570	1.50-1.45c pm	11.37	4.35-4.30 pm	11.12

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

Sept. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.602968	0.648544
U.S. $	10½	1.30831	1.40896
Canadian $	13½	1.52880	1.64888
Austria Sch	3¾	16.6596	17.9411
Belgian F	9	37.2830	40.2456
Danish K	11	6.78663	7.30096
D Mark	5	2.31414	2.49317
Guilder	8	2.56687	2.76072
French Fr	9½	5.46341	5.85071
Lira	10½	1058.62	1140.27
Yen	6¼	291.099	313.397
Nrwgn K	7	6.50436	7.00354
Spanish Pes	8	86.3746	93.0589
Swedish Kr	7	5.46723	5.88681
Swiss Fr	1	2.06887	2.22616

CURRENCY MOVEMENTS

Sept. 27	Bank of England Index	Morgan Guaranty changes %
Sterling	69.1	-36.5
U.S. dollar	83.7	-8.5
Canadian dollar	80.7	-17.0
Austrian schilling	155.3	+22.8
Belgian franc	116.8	+14.8
Danish kroner	116.2	+6.5
Deutsche mark	156.3	+45.9
Swiss franc	207.1	+87.5
Guilder	134.7	+19.4
French franc	100.9	-6.4
Lira	55.3	-49.3
Yen	126.7	+35.2

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Sept. 27	£	$		Note Rates
Argentina Peso	3912-3933	1460-1470	Austria	27.28
Australia Dollar	1.9480-1.9580	0.8840-0.8855	Belgium	63¼-64¼
Brazil Cruzeiro	63.34-64.54	28.85-29.35	Denmark	11.30-11.50
Finland Markka	8.30-8.36	3.7640-3.7650	France	9.00-9.10
Greek Drachma	72.715-81.627	36.40-36.55	Germany	3.80-3.90
Hong Kong Dollar	10.98-11.00	6.0050-5.0100	Italy	1,750-1,800
Iran Rial	154.85-161.40	70-74	Japan	483-493
Kuwait Dinar (KD)	0.604-0.614	0.2759-0.2768	Netherlands	4.20-4.30
Luxembourg Frc.	61.97-62.07	28.14-28.16	Norway	10.77-10.87
Malaysia Dollar	4.76¼-4.76½	9.1455-6.1485	Portugal	108-110
New Zealand Dlr.	2.1900-2.2000	0.9940-0.9970	Spain	142½-145½
Saudi Arab. Riyal	7.36-7.46	3.3500-3.3550	Switzerland	3.40-3.50
Singapore Dollar	4.71½-4.72½	2.1380-2.1410	United States	2.17½-2.19
Sth. African Rand	1.81-1.82	0.8280-0.8285	Yugoslavia	48-50

* Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.8456	40.2103	+0.92	+0.92	±1.53
Danish Krone	7.36594	7.26833	-1.33	-1.33	±1.635
German D-Mark	2.48557	2.49035	+0.19	+0.19	±1.125
French Franc	5.85522	5.83650	-0.32	-0.32	±1.3575
Dutch Guilder	2.74748	2.76087	+0.49	+0.49	±1.516
Irish Punt	0.669141	0.668325	-0.12	-0.12	±1.665
Italian Lira	1159.42	1146.96	-1.07	-1.07	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Sept. 27	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.203	3.849	422.6	9.043	6.429	4.263	1770.	2.662	62.02
U.S. Dollar	0.454	1.	1.746	226.4	4.104	1.566	1.936	803.4	1.163	28.15
Deutschemark	0.260	0.573	1.	127.9	2.650	0.891	1.108	460.0	0.666	16.12
Japanese Yen 1,000	9.031	4.475	7.816	1000.	18.37	6.265	8.659	3595.	6.204	126.0
French Franc 10	1.106	2.436	4.255	644.4	10.	3.792	4.714	1667.	2.833	68.59
Swiss Franc	0.292	0.646	1.122	143.5	2.637	1.	1.246	516.2	0.747	18.09
Dutch Guilder	0.235	0.517	0.903	115.5	2.121	0.804	1.	415.2	0.601	14.56
Italian Lira 1,000	0.565	1.245	2.174	278.1	5.109	1.937	2.408	1000.	1.447	35.04
Canadian Dollar	0.390	0.860	1.502	162.2	3.530	1.339	1.664	691.0	1.	24.21
Belgian Franc 100	1.612	3.552	6.204	793.7	14.58	5.528	6.873	2854.	4.130	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 12.30-12.40 per cent; three months 12.55-12.65 per cent; six months 12.55-12.65 per cent; one year 12.00-12.10 per cent.

Sept. 27	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	13⅜-13⅝	11½-11¾	10½-11½	9⅞-9⅛	par-¼	6 9/16-6 7/16	12-14	9-11	—	5⅛-5⅝
7 days' notice	13⅝-14	11¾-12	10½-11½	8⅞-6⅛	⅛-⅜	6⅜-8⅛	12-14	16-14	13⅝-13¾	6⅝-7⅛
Month	16¾-14	12⅛-12⅜	11¼-11⅝	9 1/16-8 7/8	1-1⅛	7-7⅛	12⅞-16¼	18¼-16½	11⅜-11½	6 7/8-7⅝
Three months	14 1/16-14 3/16	12 1/16-19 1/4	11¾-18⅛	8½-9¾	1⅝-1¾	7 1/16-7 3/16	16⅛-13½	14¼-16¼	12 5/16-12 7/16	7 3/16-7 5/16
Six months	14-14¼	12⅝-19⅞	11 7/16-18 9/16	9⅝-9⅝	2-2⅛	7⅛-7⅝	13¼-13½	14½-15⅛	12 7/16-12 9/16	7¼-7½
One year	13⅝-13 13/16	12-12¼	11⅜-11¾	9 1/16-9 3/16	2 1/16-2 3/16	7⅛-7⅝	16 1/16-16 3/16	14½-16½	11 15/16-12 1/16	6 15/16-7¼

Long-term Eurodollar two years 11⅛-11¼ per cent; three years 10 15/16-11 1/16 per cent; four years 10⅞-11 per cent; five years 10 13/16-10 15/16 per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

U.S. rates higher

Treasury bill prices opened lower in New York yesterday and the yield on 13-week bills rose to 10.32 per cent from 10.13 per cent and 26-week bills to 10.29 per cent from 10.21 per cent. Federal funds opened at 11 13/16 per cent and rose to 11⅞ per cent. However the Federal Reserve Bank entered the market to inject liquidity by arranging overnight repurchase agreements with Fed funds having reverted to 11 13/16 per cent. The Fed's action was much in line with expectations since it was generally understood that money would have to be pushed into the system for technical reasons. This was underlined by the arrangement on Wednesday of four-day repurchase orders, designed to give the market a greater level of liquidity on a more permanent basis than a day-to-day basis.

PARIS—Interest rates were slightly firmer in the short end but eased in the longer periods so that rates for one, three, six and 12-month money were all at 11⅝-11¾ per cent. However in later trading three to 12-month money firmed a little to 11⅝-11¾ per cent while the one-month rate eased to 11⅜-11½ per cent. Call money remained at 11½ per cent.

FRANKFURT—Call money was quoted at 4.75-5.25 per cent compared with 4.80-5.00 per cent on Wednesday and one-month money eased from 7.60-7.70 per cent to 7.50-7.65 per cent. The three and six-month rates were unchanged at 7.90-8.00 per cent and 7.95-8.05 per cent respectively. One-year money was cheaper at 7.80-8.00 per cent against 7.95-8.05 per cent.

BRUSSELS—Interest rates continued to climb yesterday as the Belgian franc remained under pressure within the European Monetary System. Deposit rates for the Belgian franc were quoted at 17⅜-13⅝ per cent from 12¼-12⅜ per cent for one and three-month, while six-month deposits rose to 12⅛-12⅜ per cent from 12-12¼ per cent. The 12-month rate was also firmer at 11⅞-11⅞ per cent compared with 11⅜-11½ per cent.

AMSTERDAM—Call money rose to 9-9¼ per cent from 8¾-9 per cent but one-month money remained at 9¼-9⅜ per cent. The three-month rate was firmer at 9¾-10 per cent while six-month money stayed at 9½-9⅝ per cent.

HONG KONG—Conditions in the money market were tight, with call money at 13½ per cent and overnight business also dealt at 13½ per cent.

GOLD

Record close

Gold rose $18¾ to close at a record $394½-396½. The metal opened at $382-384, a rise of $6 from the previous close, reflecting upward pressure in New York and Hong Kong. Continued weakness of the dollar was a major factor behind the rise, but trading was fairly quiet until the afternoon, when further demand was seen from the U.S.

In Paris the 12½-kilo gold bar was fixed at FFr 52,000 per kilo ($395.64 per ounce) in the afternoon, compared with FFr 52,000 ($394.95) in the morning, and FFr 51,500 ($385.70) Wednesday afternoon.

	September 27		September 26	
Gold Bullion (fine ounce)				
Close	$394½-396½	(£179-180)	$375-378	(£171.9-172.8)
Opening	$382-384	(£173.2-174.2)	$372-374	(£171.8-172.8)
Morning fixing	$386.25	(£174.899)	$370.80	(£170.876)
Afternoon fixing	$395.50	(£179.243)	$373.75	(£171.760)
Gold Coins				
Krugerrand	$403-404	(£182¾-184¼)	$385½-387½	(£175¼-177¼)
Mapleleaf	—		$400-405	
New Sovereigns	$101-103	(£45¾-46¾)	$96¼-98¼	(£44-45)
King Sovs.			$110½-112¾	(£50¼-51⅛)
Victoria Sovs.	$115¾-118¾	(£56-54)	$114½-115½	(£52¼-53¼)
Fr 20 Napoleon	—		FFr405-420	(SFr155-160)
50 pesos Mexico	—		$465¼-467¾	
100 Cor. Austria	—		$367-369½	
$20 Eagles	$491-495		$484-488	
$10 Eagles	$265-955		$250-260	
$5 Eagles	$295-255		$220-230	

UK MONEY MARKET

Further help

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

Day to day credit continued to be in short supply in the London money market yesterday, and the authorities gave a moderate amount of assistance. This comprised moderate purchases of Treasury bills and a small amount of local authority bills, all direct from the discount houses. In addition, they lent a small amount to one or two houses at MLR for repayment today.

Rates in the table below are nominal in some cases.

MONEY RATES

NEW YORK

Prime Rate	13.25
Fed Funds	11.8725
Treasury Bills (13-week)	10.32
Treasury Bills (26-week)	10.29

GERMANY

Discount Rate	5
Overnight Rate	5.0
One month	7.65
Three months	7.95
Six months	7.95

FRANCE

Discount Rate	9.5
Overnight Rate	11.50
One month	11.4375
Three months	11.6875
Six months	11.6875

JAPAN

Discount Rate	5.25
Call (Unconditional)	5.875
Bills Discount (three-month)	7.125

LONDON MONEY RATES

Sept. 27 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	12-17	—	—	—	14	16⅛-14	—	—	—
2 days notice	—	—	14-14⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13¾-16⅞	14 1/16-14⅛	—	14½	14¼	13½-13⅝	—	—	—
One month	14 1/16-14	16⅞-14	14⅛	14¾-14½	14½	14⅝	16¾	13 15/16	14 1/16-14⅛	14½
Two months	14⅛-13 15/16	13 15/16-14 1/16	—	14¾-14½	14⅛	—	13 15/16	13 15/16	14⅛-14 3/16	14½
Three months	14⅛-16 3/16	14-14⅛	14-14⅛	14½-14¼	14½	14½	13⅝	16⅝	14 1/16-14⅛	14½
Six months	16 1/16-16 3/16	13⅞-14	14-14⅛	13½-13¼	14⅝	—	—	—	13 15/16-13⅛	16⅝
Nine months	13 15/16-16 1/16	13 15/16-13 13/16	—	13⅝-16⅝	16⅛	—	—	—	—	—
One year	13 13/16-12 15/16	13⅛-13¼	13¼-16⅜	13¼-13	13⅝	—	—	—	—	—
Two years	—	—	13¼	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice others seven days fixed. *Long-term local authority mortgage rates nominally three years 13¾ per cent; four years 13⅝ per cent; five years 13-13⅛ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13 25/32-13⅞ per cent; four-month trade bills 14 per cent.

Approximate selling rate for one-month Treasury bills 13 7/32-13 15-64ths per cent; two-month 13⅞-13 13-64ths per cent; three-month 13 11/32 per cent. Approximate rates for one-month bank bills 14 3/32-14 3/32 per cent; two-month 14 3/32-14 3/32 per cent and three-month 13 29/32-14 per cent; one-month trade bills 14⅞ per cent; two-month 14⅞ per cent and three-month 14⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from September 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rate for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.4131 per cent.

INTERNATIONAL COMPANIES and FINANCE

NORTH AMERICAN NEWS

Washington guarantees loans to LTV unit

WASHINGTON—The Government has agreed to guarantee $111.1m in loans for the LTV Corporation's subsidiary, Jones and Laughlin Steel, the Commerce Department said.

The Department said the guarantees would finance a $163.9m expansion and modernisation programme for J and L.

The guarantees will cover loans from four insurance companies which were not identified by the Department.

The Department said the project would help strengthen J and L's ability to compete with other bar and steel companies and assure continued operation of 16 manufacturing facilities in eight states.

The guarantees were provided under the Administration's special steel industry modernisation programme originally launched to help the domestic industry compete against imports.
Reuter

$372m bid by United Technologies

CARROLLTON—Mostek Corporation, the electronic circuits manufacturer, said the United Technologies Corporation has agreed to make a cash tender offer of $62 a share for all of Mostek's common stock. This puts a price tag of $372m on Mostek.

Mostek also said it had repurchased about 1.2m shares of its stock from Sprague Electric at $42 a share through the exercise of Mostek's right of first refusal and resold those shares to United Technologies at $42 a share.

Mostek said that any shares United Technologies does not purchase in the tender offer will be acquired at $62 a share in a subsequent cash merger transaction. Mostek has about 6m shares outstanding.

Mostek expects the offer to start in about 30 days.
Reuter

Exxon hearing called off

WASHINGTON—A scheduled hearing on Exxon Corporation's take-over of Reliance Electric has been cancelled as a result of Exxon's agreement on Monday to go ahead with the purchase.

Judge John Pratt had scheduled the session to consider Reliance's suit to force Exxon to put into escrow the $1.17bn for the purchase.

But this became moot upon Exxon's decision to start posting payments to shareholders, and Reliance dropped its suit.

The Federal Trade Commission is still opposed to the take-over on anti-competitive grounds and plans its own hearings later with the possibility of forcing a break-up.

Negotiations between Exxon and the FTC to reach a settlement have broken down, Exxon reported on Monday.
Reuter

Fourth Colgate attempt to sell Rubinstein fails

BY DAVID LASCELLES IN NEW YORK

COLGATE-PALMOLIVE'S long running attempts to dispose of its Helena Rubinstein cosmetics subsidiary collapsed for the fourth time yesterday, raising serious questions as to whether the Rubinstein operation can remain in existence.

According to a brief announcement from Colgate's New York headquarters, negotiations to sell Rubinstein to L'Oreal and Cosmair, L'Oreal's U.S. arm, had been terminated. No details were given.

Negotiations with L'Oreal of France, the world's second largest cosmetics group after Avon, were initiated last month after an earlier agreement to sell Rubinstein to Kao, the Japanese toiletries group, was cancelled. This was the second time Colgate had negotiated with L'Oreal, but those earlier talks failed, as did an attempt to sell Rubinstein to Hoechst, the West German chemical concern.

Colgate bought Rubinstein for $142m six years ago. However, it failed to transform it into a universally healthy organisation.

The operation's decline was evident in the fact that the deal with Kao valued Rubinstein at $75m, only slightly above half what Colgate paid for it. It is understood that the latest negotiations had centered on a price of $35m, less than a third of the purchase price.

The L'Oreal talks apparently broke down because L'Oreal saw little or no future for the Helena Rubinstein organisation in its present form, and was not prepared to buy it simply for its assets, which are said to be worth about $35m.

Observers of the cosmetics market doubt that Colgate will now ever find a purchaser for Rubinstein, and that it will be forced to break up the company and sell its assets in odd lots to other perfume makers. As the negotiations with L'Oreal showed, the Rubinstein name itself is apparently worth very little.

Colgate's failure to make a success of Rubinstein is ascribed largely to its lack of experience in the cosmetics business, which is extremely competitive and fast-moving. Although Rubinstein was quite strong abroad, its U.S. operation is believed to have run at a consistent loss.

CAB bans airline merger

BY OUR NEW YORK STAFF

FOLLOWING the recommendations of both the Justice and Transportation departments, the Civil Aeronautics Board voted yesterday to bar the proposed merger between Eastern Airlines and National.

This leaves Pan Am the undisputed suitor for National at the end of what has been one of the most complex airline take-over wrangles, lasting 18 months and involving four bidders.

CAB had earlier approved Pan Am's takeover bid, but confined it to National's domestic routes, omitting its trans-Atlantic network. Pan Am has since acquired 51 per cent of National's stock.

CAB based yesterday's vote on the contention that an Eastern-National merger would seriously interfere with the competitive marketplace, particularly in the east coast to Florida routes, and in the sun-belt States.

Shortly after the vote was announced, Eastern's chairman, Mr. Frank Borman, the former astronaut, indicated that the airline would continue in its efforts to obtain National's transatlantic routes, primarily Miami-London.

He said: "These Miami-to-Europe routes are all great opportunities for Eastern." He regretted that CAB had prevented Eastern from obtaining all of National.

Sharp rise in MGM earnings

LAS VEGAS — Metro-Goldwyn-Mayer's revenues and net income for the year ended August 31 last were substantially higher than in the previous year, according to Mr. Frank E. Rosenfelt, the group's president. In fiscal 1978 MGM earned $49.3m or $3.39 a share, on revenues of $401.4m.

Mr. Rosenfelt said improved results were shown by all three operating divisions: hotel, gaming and motion picture and television. Final results are expected to be released in the first week of November.

For the fourth quarter the hotel division surpassed last year's $21m in operating income, Mr. Rosenfelt stated.

Commenting on MGM's film business, Mr. Rosenfelt said the group plans to release a new film every other month throughout the year. He added that the company's film "The Champ" is setting records in many territories in foreign distribution.

MGM also plans shortly to announce its entry into the video cassette and video disc market.

Mr. Alvin Benedict, chairman of the MGM hotels in Las Vegas and Reno, said the occupancy rate for both hotels was 97.3 per cent for the fourth quarter and 94.3 per cent for the year despite the petrol shortage and a two-month airline strike which adversely affected operations.

He said MGM will begin construction on its hotel in Atlantic City shortly after the first of the year.

Mr. Benedict said MGM will spend around $200m during the next two years for its expansion programme.
Reuter

Ford Motor bank credit

BY OUR NEW YORK STAFF

FORD, the second largest U.S. motor manufacturer, confirmed yesterday that it recently put together a large bank credit, estimated by banking sources to be around $500m.

Although Ford would not confirm the figure itself, a spokesman said he "would not quibble" with it. This would be the first time Ford has gone to the banks in this way for several years. However, the current weakness of the car market plus the need to meet aggressive price-cutting by the ailing Chrysler Corporation has evidently squeezed Ford's cash flow.

Ford also announced yesterday that it will temporarily suspend production at seven assembly plants "to help balance dealer inventories." About 16,400 workers will be laid off.

Kaiser warns of steel loss

OAKLAND — Kaiser Steel Corporation expects a substantial pre-tax loss from steel operations in the third quarter and, as a result, will initiate a wide cost-cutting programme.

Kaiser said the directors have approved the move to reverse continuing losses from steel, adding that losses were due to a deteriorating cost price squeeze and increased expenditures for environmental control.

It will study the possibility of closing certain facilities, eliminating unprofitable product lines and reducing the workforce. Reuter

American joins Bank of England supervisors

By Nicholas Colchester

AN AMERICAN banker who was born in Argentina, Mr. Alberto Weissmuller, has been appointed a chief adviser to the Bank of England on banking supervision. The post is new and his appointment marks the first time the Bank has recruited a foreigner to its supervisory side.

Formerly chief executive in London of United International Bank, Mr. Weissmuller, 52, is described as having first hand experience of the Eurocurrency markets. According to a Bank official, he will give "important practical support" to Mr. Peter Cooke, the head of banking supervision.

In the context of the current debate about control of the Euromarkets, his appointment reflects the Bank's view that "the supervisory side and prudential control should be as good as possible."

The move is a further step in the conspicuous build-up in the Bank's supervisory staff since 1975. Coupled with the rapid rise of the volume of international banking transacted through London, one important reason for this has been the recent Banking Act which gave the Bank much greater formal power, and responsibility, for supervision of the banking sector than it had before.

Mr. Weissmuller will be particularly concerned with the Bank's policy on supervision of foreign banks. He will become a full-time employee of the Bank when he takes up the appointment on November 16.

United International Bank, a London consortium bank, is being acquired by Privatbanken of Denmark, which will run it as its main international subsidiary.

Chevron oil discovery upgraded

By Our Montreal Correspondent

CHEVRON STANDARD, a subsidiary of Standard Oil of California, yesterday confirmed that its Hibernia exploration well off Newfoundland was much more important than revealed one week ago. The immediate effect of the statement was to push up Canadian oil stocks.

A week ago the company reported a test rate of 800 barrels a day at between 13,573 feet and 13,626 feet. Yesterday Chevron said the well had been deepened by about 230 feet and had "penetrated additional oil bearing sediment."

The consortium drilling the Hibernia well, besides Chevron as operators, includes Mobil Canada, Gulf Canada, Petro-Canada and Columbia Gas Development of the U.S.

● *Shell Canada said it has made three more natural gas discoveries in the foothills of Alberta, Reuter reports from Calgary.*

EUROBONDS

Currency weakness hits straight dollar issues

BY FRANCIS GHILES

THE WEAKNESS of the U.S. dollar and the record price of gold pushed straight dollar bond prices down by an average of ⅜ of a point yesterday afternoon in what was described by dealers as professional trading.

However, as has been the case so far this week, the hard currency sectors of the market did not witness any major advance in prices: demand for new Swiss franc and Deutsche-Mark issues has been running at a steady level.

Two floating rate note issues were priced at par yesterday, with indicated conditions otherwise unchanged: the $100m 12-year issue for Fiat Finance, through Credit Lyonnais which includes a minimum coupon of 8 per cent, and the $100m issue for the Philippines through Credit Suisse First Boston, which includes a minimum coupon of 6½ per cent for eight years.

The convertible sector, particularly where Japanese names are concerned, registered some sharp rise. The recent $60m convertible for Mitsubishi closed at $115¼-$116¼. The steep rise in the share price in Tokyo was the major factor behind this sharp upward movement.

Prices of Swiss franc-dominated bonds posted gains of up to ¼ per cent yesterday but inflows of funds from abroad are being directed more to shares than bonds at present, according to Swiss bond dealers.

Osaka Cement has arranged a SwFr 20m five-year convertible through Banque de Paris et des Pays Bas (Suisse). The borrower is paying a coupon of 4¼ per cent. Meanwhile, Yamamura Glass has completed a SwFr 25m five-year convertible through Swiss Bank Corporation. The borrower is paying a coupon of 4¼ per cent.

Prices in the D-mark foreign bond sector remained firm though the level of trading was not very high. A DM 50m eight-year private placement for Holland's largest insurance company, Nationale Nederlanden, has been completed through Westdeutsche Landesbank. The borrower is paying a coupon of 7 per cent and the bonds have been priced at par.

The same bank priced the DM 125m ten-year public issue for Petrobras at par. Indicated terms, which include a coupon of 8 per cent were unchanged.

Chrysler denies plan to sell Peugeot share stake

BY DAVID WHITE IN PARIS

PSA Peugeot-Citroen said yesterday it had no knowledge of any plan by Chrysler Corporation to sell the 15.5 per cent stake it acquired in the French motor holding company last year.

In Detroit yesterday, Chrysler Corporation said the sale of the stake was "one alternative" but that it had no immediate plans for such a sale.

The spokesmen confirmed that in a meeting on Monday with newspaper publishers, Mr. Lee Iacocca, the chairman of Chrysler, mentioned the sale of the Peugeot-Citroen stake as a possibility.

However, the Chrysler spokesman said, "It was a casual, off-hand remark. We are not negotiating with them now. We have not asked for a change in the agreement."

PSA Peugeot-Citroen said current agreements barred sale by Chrysler of the shares until its absorption of Chrysler's former European subsidiaries had been completed.

The U.S. group acquired its 1.8m newly created shares, valued at $200m, as part payment in a deal in which it also received $230m.

The deal provided for a transitional period up to the end of October, 1980. During this time, Chrysler would continue to have an interest in the earnings of its former Spanish, British and French operations.

Italian retailer in French talks

BY RUPERT CORNWELL IN ROME

THE LARGEST Italian chain store group, Standa, a subsidiary of the chemicals group, Montedison, is understood to be studying the possibility of a joint venture in Italy with Carrefour, the leading French supermarket group.

A feasibility study will shortly be completed, on the basis of which the two groups will decide whether to go ahead with a project that would involve the launch of three or four hypermarkets in northern Italy.

Standa itself has been steadily improving its performance since registering a loss of L23.5bn ($28m) in 1976. Last year it broke even, on sales of L984bn ($1.29bn), and this summer announced plans for a capital increase from L16bn to L46bn as part of its recovery programme.

Although no decisions have been taken, the possible joint venture reflects what are believed to be encouraging future prospects for the chain store and supermarket sector in Italy.

* * *

LIQUIGAS SpA suffered a loss of L37.4bn ($45m) in the first seven months, AP-Dow Jones reports from Milan. The troubled chemical company did not report a comparable figure for the same period of 1979 but its deficit for the whole of last year was L39.4bn.

Liquigas attributed the loss to heavy debt-service charges of L16bn. It reported that overall indebtedness rose to L289bn at the end of July from L269bn at the end of 1978.

Creditor banks are continuing to try to put together a consortium to recapitalise Liquigas. Directors warned the company will have to be liquidated if the bank salvage is not successful.

* * *

THE BOARD of Compagnie Industriali Riunite (CIR) SpA, the industrial holding concern, is to submit to a shareholders' meeting a plan for increasing the registered capital of the company to L15bn ($18.5m) from L10bn, on payment.

The operation will be carried out through the issue of 2m shares to shareholders on the basis of one new share for two held at a price of L7,500 a share, or a L5,000 overprice.

Brazil pledge on debt control

FRANKFURT — Brazil will make extra efforts to make more effective the administration of its external debt, estimated at around $50bn by end-1979, Mr. Karlos Rischbieter, Finance Minister, said yesterday.

He told a Brazil symposium that the efforts would include attempts to achieve growing trade surpluses; to narrow Brazil's service deficit; and to improve the range of its sources of funds.

Figures released by Brazil's central bank show the external debt as $43.5bn at the end of 1978, while the trade deficit for 1978 totalled $988m.

Meanwhile banking sources in Tokyo said that the Brazil central bank is to borrow Y5.13bn from a Japanese consortium formed by the Japan International Co-operation Agency (JICA) and 16 Japanese banks.

The two-year loan, to finance agricultural developments in the Brazilian state of Minas Gerais, will consist of Y4.1bn from JICA carrying fixed nearly interest of 2.5 per cent and Y1.03bn from the 16 banks with interest of 8.3 per cent per year.
Reuter

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.
Closing prices on September 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	94⅞	95⅜	−0¼	−0⅞	10.82
Alex Howden XW 9¾ 91	30	†78	80	0	0	13.08
Australian Res. 9⅝ 84	30	95½	96	−0¼	+0¼	10.78
Avco O/S Cap. 10½ 87	40	89½	90	0	−1⅞	12.37
Beneficial Fin. 9¼ 87	100	95¼	95⅞	−0¼	−0¼	10.59
CECA 10¼ 91	150	93¾	93⅞	0	−0¼	11.76
CECA 9¾ 99	125	†89	89½	0	−0¼	11.41
Canadian Pacific 9¾ 89	50	95⅝	96⅛	−0⅞	0	10.43
Carter Hawley 9¾ 86	50	94¼	94¾	0	0	10.92
Comalco Inv. E. 10⅝ 91	40	96½	97	0	−0¼	10.74
Continental Grp. 9¾ 89	100	96	96½	0	0	10.41
Dome Petroleum 10 94	50	93½	94	−0¼	+0¼	10.86
[illegible] Bridge 10¼ 84	30	96¾	96⅞	−0⅛	0	11.18
Dow Chem. O/S 9¾ 94	200	94⅞	95⅜	−0¼	−0¼	10.27
EIB 9⅝ 86	150	97	97½	0	+0⅛	10.48
	100	96⅝	97⅛	0	−0¼	10.61
EIB 9⅞ 87	150	97⅝	98⅛	0	0	10.49
EIB 10 99	190	97⅝	98⅛	0	0	10.51
Export Dv. Cpn. 9⅝ 84	100	95⅝	96⅛	−0¼	−0⅛	10.39
Export Dv. Cpn. 9¾ 84	150	97⅝	98	−0¼	+0⅛	8.94
Finland 9½ 88	100	93⅞	94⅜	0	−0½	10.78
Finland 9¾ 89	100	95¼	95¾	0	−0¼	10.63
GTE Finance 9¾ 94	50	95⅝	96⅛	0	+0⅛	10.64
GTE Finance 9⅜ 89	55	93	93½	0	+0¼	10.89
General Motors 9⅝ 86	100	94¾	95¼	+0⅛	0	10.30
Gould Int. Fin. 9⅞ 85	50	96	96½	0	0	10.66
[illegible]hst Fin. XW 6⅜ 89	125	†76¾	77¼	0	−0¼	10.64
Hudson Bay Co. 10 84	50	95½	96	−0¼	−0¼	10.57
ITT Antilles 9½ 89	75	93	93½	+0¼	+0⅞	10.64
Kennecott Int. 9½ 88	100	90⅝	91⅛	+0⅛	+0¼	11.51
Manitoba 9½ 89	75	93⅜	93⅞	−0¼	−0⅜	10.58
Michelin 10 94	125	94¾	95¼	−0⅞	0	10.68
Nat. Des Telecm. 9¼ 89	100	95⅝	96⅛	0	+0⅜	10.36
New Brunswick 9¾ 94	75	93	93½	−0¼	+0¼	10.87
Newfoundland 10 94	50	96	96½	−0¼	−0¼	10.50
Norges Komm. 9⅞ 99	100	97⅝	98⅛	0	+0⅜	10.38
Norway 9¾ 84	150	98½	99	0	−0⅞	10.36
Norway 9¼ 84	150	96⅝	96⅞	−0⅛	+0¼	10.43
Nova Scotia Pwr. 9¾ 89	50	94⅜	94⅞	0	+0¼	10.65
Occidental Fin. 10⅞ 84	50	96¼	96¾	0	0	11.22
Orient Leasing 9½ 86	25	92⅞	93¼	0	+0¼	11.03
Pennwalt O/S F. 9¾ 94	25	96½	97	0	0	10.64
Pepsico Cap. 9¾ 84	100	96	96½	−0¼	−0¼	10.31
Portland 10 84	50	94⅞	95⅜	0	−0⅜	11.42
Quebec Hydro 10 99	75	92¼	92¾	0	+0⅛	10.93
Redland Fin. XW 9½ 91	25	86	87	+0⅛	+0⅛	11.67
Sears Roebuck 9 82	150	95⅞	96⅜	−0⅞	0	10.88
Statoil 8⅝ 89	100	94¾	95¼	−0⅛	+0⅛	10.45
Stockholm 9¾ 94	80	96⅝	97⅛	−0⅜	−0⅜	10.41
Sweden 9¾ 89	100	95⅝	96⅛	−0¼	−0⅛	10.43
Sweden 9½ 88	200	96½	97	0	+0¼	10.45
Sweden 9⅝ 84	100	97⅝	98⅛	0	+0⅛	10.31
Unilever NV 9⅜ 87	100	94½	95	0	−0⅛	10.25
Warner-Lambert 8 84	100	94⅞	95⅜	0	0	10.33

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 7½ 89	150	94⅞	95⅜	−0¼	+0⅛	8.24
Asian Dev. Bk. 7½ 89	100	98½	99	+0⅛	+0¼	7.43
Banco Desarrollo 7⅝ 86	100	†94¼	94¾	+0¼	+1	6.38
Barclays O'seas 6⅝ 89	100	96⅛	96⅝	−0½	−1⅛	7.28
Brazil 7⅜ 87	150	96½	97	0	−0⅛	7.84
Brazil 8 87	150	100	100½	0	−0¼	7.95
CECA 7 91	150	98	98½	−0¼	−0¼	7.22
Council of Eur. 7⅜ 89	100	98½	99	−0⅛	−0¼	7.43
Denmark 5¾ 85	100	†94¼	94¾	+0⅛	+0⅛	7.01
Denmark 6½ 89	100	†94¾	95¼	+0⅛	+0⅛	7.27
EIB 6½ 91	200	93	93½	+0⅛	−0⅛	7.40
EIB 7½ 89	200	100⅛	100⅝	0	+0⅛	7.44
Eletrobras-Brazil 7 87	100	96¼	96¾	−0¼	−0⅛	7.63
Eurofima 6½ 89	100	99¼	99¾	−0⅛	+0⅛	6.71
Mitsubishi Chem. 6½ 84	70	100¼	100¾	−0⅛	+0¼	6.39
New Zealand 6⅝ 87	200	94½	95	+0⅛	+0½	7.20
New Zealand 7⅜ 87	200	98½	99	+0¼	+0⅛	7.34
Nippon Kokan 6½ 84	100	97¾	98¼	0	+0⅛	7.02
Nippon Tel. & T. 6½ 87	100	92	92½	0	−0⅛	5.87
Nordic Inv. Bk. 6¾ 86	60	95	95½	0	0	7.21
Norges Komm. 7¾ 91	150	103	103½	+0⅛	+0¼	7.32
Norway 6¾ 84	200	99⅜	99⅞	+0¼	−0½	6.34
OKB 6½ 88	100	96½	97	−0⅛	−0¼	6.98
OKB 6 87	40	†94¾	95¼	0	0	6.86
Tokyo Elec. Pwr. 6½ 85	200	98⅜	98⅞	+0¼	0	6.85
World Bank 7¾ 91	400	101	101½	+0¼	0	7.58

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 86	60	103⅞	104⅜	+0⅛	+0⅞	4.97
Asian Dev. Bank 3½ 94	100	88½	88⅞	+0¼	+0⅛	4.81
Aumar 5 89	60	101⅞	102¼	+0⅛	0	4.74
Australia 3⅝ 89	250	95⅜	95⅞	+0¼	+0¼	4.17
Bergen, City of 4¾ 91	40	104¼	104½	−0⅛	0	4.27
BNDE 5 89	75	95⅝	95⅞	+0¼	−0¼	5.94
Caisse Nat. Tele. 4⅝ 89	100	102⅜	102⅝	+0⅛	+0⅛	4.06
Canada 3¾ 89	300	96⅝	96⅞	+0⅛	+0⅛	4.04
Council of Eur. 4¾ 90	100	101½	102	0	0	4.04
Denmark Mt. Bk. 4¾ 91	80	100½	100¾	−0⅛	−0¼	4.68
EIB 4½ 91	100	101¼	101⅝	−0⅛	0	4.33
EIB 4⅝ 94	100	98	98¾	0	−0¼	4.55
Elec. de France 4¾ 89	100	101½	101¾	−0⅛	−0⅛	4.17
Heron 4¾ 89	35	96½	96¾	0	+0⅛	4.70
ICI Fin. NV 3½ 94	230	90⅝	90⅞	+0⅛	−0⅛	4.40
Int.-Amer. Dev. 4½ 89	100	100⅝	100⅞	+0⅛	+0⅛	4.40
New Zealand 3½ 94	120	89¼	89½	0	+0¼	4.52
Nordic Bank 5 89	45	103⅝	103⅞	0	+0⅛	4.52
OKB 3¾ 91	100	93⅜	93⅝	+0⅛	+1⅛	4.48
Pfand Ost. Lande 4 90	60	96	96¼	+0⅛	+1	4.47
Philippines 4¾ 89	50	97⅛	97⅜	+0⅛	0	5.09
Shikoku El. Pwr. 4¾ 89	100	102⅝	103	+0⅛	+0⅛	4.38
Spain 4 91	100	95¼	96	+0⅛	+1¼	4.46
Steweag 4¾ 91	80	104	104¼	0	0	4.30
Voest-Alpine 4½ 89	90	104¼	104½	+0⅛	+0⅛	4.19
World Bank 4⅝ 89	100	102½	102¾	−0⅛	−0¼	4.29
World Bank 4⅛ 89	150	100	100¼	0	0	4.35

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.8 83	30	92¼	93¼	−0¼	−1	7.80
Australia 6½ 88	20	89½	90½	−0⅛	−0⅛	8.22
EIB 7⅜ 89	12	96⅞	97⅞	−0⅛	0	7.97
Finland 5.8 83	10	91⅝	92⅝	−0⅛	−0⅛	7.97
Finland 6.8 88	10	90¼	91¼	0	0	8.42

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 8 84 SDR	20	96¾	97¼	−0¼	−0⅛	9.76
Avco Fin. 10¼ 86 C$	25	91½	92½	+0½	0	12.07
Bell Canada 10¼ 86 C$	80	97½	98¼	0	−0⅛	11.17
Cr. Foncier 10¼ 84 C$	30	93½	94	−0⅛	−0⅛	12.12
Ex. Dev. Cpn. 10 84 C$	50	95⅞	96⅜	0	−0⅛	11.08
Fst. Can. Inv. 10 84 C$	50	93½	93¾	−0¼	−0¼	11.90
Hudson Bay 10½ 89 C$	60	94½	95	−0¼	−0½	11.41
Quebec 10½ 86 C$	50	93½	94	−0⅛	−0⅛	11.66
R. Bk. Canada 10 86 C$	40	94⅞	95⅜	0	+0⅛	11.05
R. Bk. Canada 10 94 C$	40	91½	92	0	−0¼	11.15
Copenhagen 8¾ 91 EUA	25	97¾	98¼	0	+0½	8.55
Copenhagen 8¾ 91 EUA	20	*98⅜	99⅜	0	0	8.90
SDR France 8½ 94 EUA	24	†100	101	+0⅛	+1¼	8.43
SOFTE 8¾ 89 EUA	40	94	95¼	+0⅛	+0⅛	9.10
Algemene Bk. 8¾ 94 Fl	75	97⅝	98⅛	+0⅛	+0⅛	8.79
Amev 8½ 86 Fl	75	97¾	98¼	+0⅛	0	8.89
CFE Mexico 7¾ 83 Fl	75	96⅞	97½	+0⅛	+0⅛	8.65
EIB 7¾ 85 Fl	75	92¼	92¾	0	0	8.94
Ned. Middbk. 8¾ 84 Fl	75	97¾	98¼	+0⅛	+0⅛	8.78
Norway 8¾ 84 Fl	100	97½	98	0	0	8.86
Air France 11 84 FFr	120	99½	99⅞	+0¼	+0½	11.16
Euratom 9¾ 87 FFr	150	90⅞	91⅞	+0¼	+0¼	11.48
Norway 9⅝ 94 FFr	200	92¾	93¼	0	+0⅛	11.24
PSA Peugeot 9¾ 87 FFr	175	89¼	90¼	+0⅞	−0⅛	11.66
Renault 9¾ 85 FFr	100	92¾	93⅜	0	+0⅜	11.55
Saint-Gobain 9¾ 86 FFr	130	89⅝	90⅝	+0⅛	−0⅞	11.96
Solvay et Cie 9¾ 87 FFr	125	89½	90½	−0¼	−0¼	11.82
Total Oil 9¾ 87 FFr	150	87¼	88¼	0	−0⅛	11.94
Citicorp 10 93 £	20	84¾	85¼	+0¼	−1¼	12.36
EIB 9¾ 88 £	25	88¾	90	+0⅜	+0⅛	11.74
EIB 11½ 91 £	25	93½	94¼	[illegible]	[illegible]	12.50
Finance for Ind. 13 91 £	15	100½	101½	[illegible]		12.82
Fin. for Ind. 12½ 89 £	30	97½	98¼			12.87
Gen. Elec. Co. 12¼ 89 £	50	97¾	98¼			12.94
Indonesia 8¾ 91 KD	7	†97½	98			9.06
Mitsubishi 7½ 84 KD	10	†96	98½	[illegible]		8.47
Norges Kom. 7½ 89 KD	12	†95¼	95¾	[illegible]		8.13
Occidental 8¼ 91 KD	7	†94½	95	0	−0⅛	8.98
Euratom 8 87 LuxFr	500	95⅞	96⅞	0	−0¼	8.66
Norges Kom. 8 86 LuxFr	500	94⅞	95⅞	0	−0⅛	8.89
Oslo, City of 8 89 LuxFr	500	96⅝	97½	+0⅛	−0¼	8.52
Solvay Fin. 8 85 LuxFr	500	95½	96½	0	+0⅛	8.87

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BNDE 6 89	0¼	†96⅝	97⅛	21/12	13.38	13.81
Banco di Roma Int. 6 87	0⅜	98⅝	99⅛	26/10	11.19	11.31
Bco. Nac. Argent. 7 86	0¼	97⅞	98⅜	22/3	13.18	13.42
Banco Prov. BA 7¾ 86	0¼	97⅞	98⅜	12/6	11	11.21
Banco Urquijo 6 86	0¼	98½	98⅞	21/3	11⅛	11.56
Bque. Indo Suez 5¾ 89	0¼	98½	99	11/1	11	11.14
Banque Sudameris 8 87	0⅜	96¾	97¼	11/1	11¼	11.47
BNP 5½ 91	0⅜	98	98½	22/2	11.94	12.15
Citicorp O/S Fin. 6 94	‡0¼	99⅞	100⅜	8/9	10.89	10.67
Citicorp O/S 83	‡0	99½	100	23/2	12.81	12.89
Creditanstalt 5½ 91	‡0¼	98¾	99¼	14/9	10⅛	10.98
GZB 5½ 89	‡0¼	98¼	98¾	1/11	11.44	11.67
Jugobanka 8 89	0⅞	95⅞	96⅜	23/11	11⅞	12.42
LTCB Japan 5½ 89	0¼	98⅝	99⅛	7/12	11½	11.25
Mfrs. Han. O/S 5¾ 94	‡0¼	99¾	100¼	23/11	12.56	12.56
Nacional Fin. 9½ 86	0¼	97¾	98¼	25/1	11½	11.73
Nat. West. 5⅜ 94	0¼	98⅝	99⅛	11/10	11	11.13
Nippon Cred. Bk. 5½ 85	0¼	98¾	99¼	22/12	10.94	11.06
Nippon Cred. Bk. 6½ 86	0⅜	97½	98	12/1	10⅞	11.13
Petro Mexicano 7 84	0¾	98¾	99¼	24/1	11.44	11.55
Royal Bank Scot. 5¼ 94	‡0¼	98¾	99¼	11/10	11	11.11
Sogenal 5¾ 89	0⅛	97½	98	11/1	10.94	11.19
Texas Int. Airways 7 86	‡0¼	96⅝	97¼	11/10	11.56	11.94
Trade Dv. Fin. Srv. 8 86	0⅜	†96¾	97¼	21/2	—	—
TVO Pwr. 9 91 (D-lock)	0¼	97¾	98¼	24/11	11⅛	11.37
Utd. Overseas Bk. 6 89	‡0¼	97⅞	98⅜	29/9	11.14	11.35
Williams & Glyn 5¾ 81	0¼	98⅞	99⅜	14/3	—	—
Bq. E. d'Alg. 4¾ 89 SF	0⅝	†96½	96¾	18/12	4¼	4.40

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asahi Optical 7 94	11/79	605	98½	99¼	+0¼	−2.07
AGA Akt'bolag 7¾ 89	10/79	145	92¾	93¾	−0⅛	−6.27
Canon 6¾ 94	5/79	570	103⅞	104⅝	+0⅛	−0.61
Ciba-Geigy O/S F. 4 94	9/79	675	96⅞	97¼	+0⅛	−1.89
Credit Suisse 4¾ 93	10/79	1325	112⅞	113¾	+3⅛	1.87
Esselte 7¾ 89	9/79	159	94⅞	95⅝	+0⅛	2.49
Honda Motor 5½ 89	5/79	532	103¾	104¼	+1⅞	0.55
LPC International 8 89	9/79	35	103¼	104	+0⅛	4.37
Nitto Elec. Ind. 6 94	7/79	735	93⅞	94⅝	−0⅞	4.60
Union Bank Switz. 5 89	2/80	125	119⅝	120⅞	+3	13.99
Fujitsu 5 94 DM	7/79	475	101⅝	102¼	+1	22.44
Kansai Elec. 4 84 DM	4/79	1350	†89	90	+0½	61.98
Marudai Food 3½ DM	2/79	1033	81⅛	81⅞	0	51.93
Nippon Ysn. 3½ 85 DM	1/79	251	*†98½	99¼	0	1.87
Sharp Cpn. 3½ 88 DM	2/79	487	99⅝	100⅜	−0⅛	8.32
Tokyo Elec. 3½ 87 DM	4/79	476	†95¼	96¼	0	59.08
Tokyu Ld. Cp. 4 86 DM	4/79	493	†82¾	83¾	+0⅛	47.89
Uny Co. 6½ 85 DM	11/79	1071	101⅝	102⅝	+0⅛	18.28

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

هكذا من الأصل

Sweeping change at the top in Italy's financial community

BY RUPERT CORNWELL IN ROME

THE RESIGNATION of Sig. Giorgio Cappon from the presidency of Istituto Mobiliare Italiano (IMI), the state-owned medium-term credit body, and the launch this week of the banking consortium to rescue Societa Italiana Resine (SIR), in some respect mark the end of the "chemical war" which has convulsed Italian industry and politics through much of the 1970s.

These events also coincide with a number of sweeping changes at the heart of the country's banking and financial establishment, ranging from the central bank downwards.

Already Dr. Paolo Baffi has stepped down as Governor of the Bank of Italy, to be replaced by Dr. Carlo Ciampi, and within the last few days Sig. Alberto Boyer, former managing director of the giant state conglomerate Istituto per la Ricostruzione Industriale (IRI) has been appointed chairman of the state-controlled Credito Italiano, the third largest commercial bank in Italy.

Now, in addition to IMI, there are vacancies to be filled at another leading medium-term credit institute, Icipu, and at Cariplo, the Lombardy region savings bank organisation that ranks fourth in the national banking league by deposits.

Between them IMI and ICIPU are estimated to account for as much as half the total of medium-term lending to industry, with some L14,000bn ($17.5bn) of outstanding bonds. But the flow of new credit has been throttled back sharply since 1977—largely as a result of the acute financial difficulties which have overtaken the principal borrowers, the steel industry, and above all chemicals.

The old SIR of Sig. Nino Rovelli, a protagonist in the hostilities with Montedison, Italy's largest chemical group, collapsed under the weight of L2,000bn of debts.

IMI, the lending institute most heavily exposed, bad over L1,000bn of credits outstanding to SIR. To sort out its finances, it this summer won approval for a L400bn capital increase, part of which will go towards the new SIR consortium, which in turn will lift its own capital shortly to L700bn, under the rescue plan drawn up by IMI.

Sig. Cappon, like Sig. Rovelli, was deeply involved in the battle within the industry to secure the subsidised loans on offer from the government-controlled banking system. For a short period he was president of the Montedison control syndicate, within which the struggle was at its most intense.

The lion's share of the blame for what happened probably should be attributed to the politicians, particularly the Christian Democrats, who ultimately control the banks, and who in large measure sponsored the headlong expansion of the chemical companies, which was fated to end in disaster with the oil crisis.

But inevitably some of the responsibility lies with the banks, and as the scale of the SIR crisis emerged, Sig. Cappon came under increasing pressure. He is reported to have intimated his wish to go three months ago, but waited until the consortium was irrevocably on its way.

SIR of course is not the only casualty. Montedison has now embarked on a painstaking recovery programme, but is still weighed down by its loss-plagued textile division.

ANIC, the chemicals subsidiary of Ente Nazionale Idrocarburi (ENI) lost L178bn ($211m) last year, though it managed to halve its deficit in the first half of 1979. Meanwhile, negotiations for the launch of another banking consortium to salvage the Liquigas group of Sig. Raffaele Ursini are still bogged down.

There are also other issues to be resolved. In the first place, successors at IMI and Icipu have to be named—no formality in a country where the top posts in the state-controlled banking system are regarded as key power-bases, in which the parties and their factions fight to place their own sympathisers.

Secondly, and perhaps more important still, there is the judicial inquiry into the SIR collapse, which has led to charges against Sig. Cappon and more than 50 other leading financial figures—including of course Dr. Baffi himself and Dr. Mario Sarcinelli, deputy director general of the Bank of Italy—relating to alleged mismanagement of state funds.

Moreover, one of the magistrates involved, Sig. Luciano Infelsi, at one point sought to bave Sig. Cappon arrested, along with four other figures in the SIR affair, including the company's ex-chairman Sig. Rovelli. The future course of the investigation is impossible to predict.

Hutchison contests HK Bank valuation

By Philip Bowring in Hong Kong

THE SALE by the Hongkong and Shanghai Banking Corporation to Cheung Kong (Holdings) of the effectively controlling stake of 23 per cent in Hutchison Whampoa for HK$639m (US$128m) brought further repercussions here yesterday.

The board of Hutchison said that the net asset value of its shares was HK$14.30, or more than twice the price that Cheung Kong was paying the Hongkong Bank. The estimate was based on up-to-date valuations of Hong Kong property, which has been seeing its biggest boom since 1973. The Hutchison board contains two nominees of the Hongkong Bank. One of these resigned after yesterday's meeting, to reflect the bank's reduced interest in the company. It has sold all its ordinary shares but retained HK$90m nominal of preference shares. Mr. Bill Wyllie, the Hutchison chairman, said blunt that the shares had been sold too cheaply. The bank had not consulted with the Hutchison board, he said.

The Hongkong Bank then hit back with its own statement, claiming that a theoretical break-up value was of limited relevance. The bank was taking a handsome profit and being paid a reasonable premium over the market price of the shares—around HK$5.60 before the announcement of the HK$7.10-a-share sale. The bank said this price was fair to both buyer and seller.

However, the market's view is reflected in its now having bid Hutchison shares above the bank's price. Its opinion is coloured by land prices and by the fact that Cheung Kong was acquiring control, not just making an investment.

Share prices of property-rich companies have tended to lag behind property prices, as reflected in Government land auctions. This made it attractive for Cheung Kong to try for a land-rich company rather than buy land on the open market.

Mr. Wyllie attributed the poor Hutchison rating to uncertainty in the market as to if, when, and how, the bank would dispose of its Hutchison stake. The bank had always said that it did not intend its investment to be permanent, but had given no further clues to its intentions.

It is widely believed that Cheung Kong will try to increase its stake, to make its control impregnable. Hutchison's asset statement will tend to make further purchases the more expensive for Cheung Kong, but under the Hong Kong Takeover Code there is no specific point at which an offer to all shareholders becomes mandatory. On the other hand, Hutchison could only increase its outstanding equity by 10 per cent without seeking shareholder approval. That would be insufficient seriously to dilute Cheung Kong's stake.

The asset statement helped to push Hutchison's price up 80 cents to HK$ 7.70 at the close after touching HK$ 8.20. Cheung Kong edged up 30 cents to HK$ 17.60, but the rest of the market encountered profit-taking after Wednesday's 23.6 point jump to 668.29 on the Hang Seng Index.

MITSUI GROUP FINANCE

Challenge to the old order

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

MITSUI BANK, the key financial institution in the Mitsui group, could lose its position as the main financing source of Mitsui and Company if the Japanese Government insists on the strict enforcement of a guideline limiting the loan exposure of Japanese banks to individual clients.

Mitsui Bank ranks seventh among Japan's City banks, while Mitsui and Company holds second position among the Japanese trading concerns—and first in terms of overseas investments.

Mitsui and Company has traditionally been a heavy borrower from Mitsui Bank—as well as from other institutions, such as Fuji Bank and the Bank of Tokyo — but it could be forced to repay Y86bn ($385m) of loans to its sister company by the end of March next year if current regulations remain in force. The rules in question stipulate that, from March 31 onwards no Japanese City bank should lend more than 20 per cent of its "owned capital" to a single borrower.

On March 31, 1978, the last date for which figures are available, Mitsui Bank had a total of Y149bn of loans outstanding to Mitsui and Co., while the Bank of Tokyo had outstanding loans of Y127bn. Enforcement of the Finance Ministry ceiling would reduce the Mitsui Bank exposure to Y63bn, whereas Bank of Tokyo lending would be reduced by only Y14bn to Y113bn.

This would leave the Bank Tokyo lendings to Mitsui and a financing source for Japan's number two trading company, severely damaging the prestige of Mitsui Bank if not directly hitting its business interests.

One reason why Bank of Tokyo lending to Mitsui and Co. stand to be reduced by a much smaller amount than those from Mitsui Bank is that the Bank of Tokyo is legally classified as a foreign exchange bank—a position which allows it to lend up to 40 per cent of its owned capital to individual borrowers.

EXCESS BORROWINGS OF MAJOR COMPANIES AT MARCH 31 1979	Yen bn
Mitsui and Co.	144
Mitsubishi Corp	71
Marubeni Corp	60
C. Itoh and Co.	55
Toyo Menka	35
Tokyo Electric	140
Nippon Steel	45
Nippon Kokan	40

A senior official of Mitsui and Co. said yesterday afternoon that "whatever happens" there can be no question of Mitsui Bank relinquishing its position as "main bank" to Mitsui and Co. This term implies a special relationship, which normally includes the provision of a wide range of planning and consultancy services, as well as financial support. Mitsui and Co. apparently has no intention of allowing any other bank to take over these aspects of Mitsui Bank's role. This does not alter the fact that strict adherence to finance Ministry "guidance" could push Mitsui Bank into a secondary position in a strictly financial sense.

The Finance Ministry announced its intention of limiting City Bank exposure to individual corporate borrowers in December, 1974, at a time when Japan's major business groups were being criticised as "anti-social." The regulation, which technically takes the form of "guidance" from the director general of the Ministry's Banking Bureau, was intended to prevent the major groups from becoming too highly centralised around individual banks and from indulging in excessive take-over activity.

Expansionism by the major groups is less of an issue today than in 1975, but the Finance Ministry has so far stuck firmly to the implementing of its original rules, except in the case of one company—Tokyo Electric Power. Tokyo Electric had a total of Y140bn of "excess" borrowings outstanding from City banks at the end of March and is being granted special consideration in the application of borrowing guidelines.

Mr. Masahiko Seki, the president of Mitsui Bank, who also happens to be the current president of the association of Japanese Banker's Federation, said recently that he had asked the Ministry of Finance to consider exempting trading companies from the MOF guidelines. The MOF has yet to agree to this request but some bankers claim to be able to detect "some signs of flexibility" in its position. Because of hopes that the MOF may relent, Mitsui and Co. is not yet taking steps to repay the total of Y144bn of "excess" borrowing which it will need to write off its books if it is to conform with the MOF guidance by March next year.

Sharp rise in earnings at MAS

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN AIRLINE SYSTEM (MAS), the State-owned carrier, has reported a sharp increase in earnings for the year to March, with after tax operating profit rising by 135 per cent to 40.2m ringgit (US$18.7m), from 17.1m ringgit the previous year.

The airline earned an extra 6.4m ringgit in foreign exchange gains, but because it is taking the opportunity to write off all deferred charges amounting to 18.4m ringgit, the net profit was 28.2m ringgit.

The earnings are the highest in the airline's seven-year old history, and is impressive considering the fact that MAS was severely affected by an industrial dispute in January-February this year. The dispute arose from a normal pay claim, but deteriorated into a sharp confrontation between the union and the Government, and led to the arrest of 24 unionists.

Domestic flights were grounded for a week during the dispute, while MAS flights to London and Australia were suspended for a month. The dispute cost MAS an estimated 15m ringgit.

Revenue for the year rose by 15 per cent to 481m ringgit. The number of passengers carried rose by 7.2 per cent to 2.84m while cargo and mail grew by 15 per cent to 40,600 tonnes.

Operating expenditure less significantly, by 9.6 per cent to 400m ringit, and revenue per employee increased to 67,083 ringgit from 62,706 ringgit. The passenger load factor grew marginally from 68 per cent to 69 per cent.

Raja Mohar, the chairman, said that despite the uncertain world economic outlook and spiralling fuel costs, the airline was "cautiously optimistic" about its prospects. Three new airbuses would join the fleet between October and December while a fourth airbus had been ordered for delivery in 1981. Flight frequencies to London would be increased, while a profitable route between Seoul and Jeddah, via Kuala Lumpur, was opened this year.

The MAS fleet consists of two DC 10s, three Boeing 707s, nine Boeing 737s, nine Fokker 27s, and four Brittan Islanders, serving 36 domestic and 19 international points.

The Airbuses would replace the Boeing 707s which are up for sale at U.S.$7m each.

Finance costs hold back HK Land

BY OUR HONG KONG CORRESPONDENT

HONGKONG LAND Company announced an 8 per cent increase in after-tax profit for the six months to June to HK$147.4m (US$186m). In addition, the group made extraordinary profits of HK$59.2m. The interim dividend was unchanged at 14 cents. No forecast for the full year was given, except that earnings would be "satisfactory." In 1978 Hongkong Land made HK$279.5m.

The latest result may disappoint the market, which has become used to the bigger profit increases from most companies reporting recently, particularly those connected with property. However, most of HK Land's earnings are from rentals not property development. Also, earnings this year are being held back by the high price—HK$700m—that it paid for Gammon House, an office block it bought from its sister company, Jardine Matheson last year.

Financing for the purchase was largely through a HK$600m syndicated loan with an average spread of 1.25 per cent over the Hong Kong prime rate. That is expensive at present, with the prime rate at a record 14.5 per cent and well above Gammon House's rental yield at the purchase price.

* * *

WAH KWONG Shipping and Investment raised its profit for the six months to June by 27 per cent to HK$44.7m (U.S.$9m). For the whole of 1978 it made HK$77.6m. The interim dividend is being raised by 1 per cent

Bell Group doubles its profits

BY JAMES FORTH IN SYDNEY

BELL GROUP, the Western Australian transport and investment company headed by the Perth businessman Mr. Robert Holmes a Court, more than doubled earnings in the year to June 30 and plans a three-for-one scrip issue. Earnings jumped from A$1.9m to A$4.1m (U.S.$4.6m), the eighth consecutive record.

Bell Group has been participating in the market contest to acquire shares in Ansett Transport Industries, the transport and airline group. Bell at present has 12.5 per cent, and has announced its intention to lift its stake to 20 per cent.

Turnover rose marginally from A$71.3m to A$71.9m. The final dividend is raised from 15 cents a share to 20 cents, lifting the full pay-out to 30 cents. Shares created in the scrip issue will receive a final of 5 cents a share and thereafter rank equally. The directors expect to pay an annual dividend of 10 cents a share on the enlarged capital.

* * *

Pioneer Concrete Services, the Australian-based international quarrying and building products group, raised its profits by 21.4 per cent to a record A$23.8m (US$26.7m) on a 22 per cent gain in turnover to A$447m (US$502m) for the year to June 30, 1979.

At the same time, the company has announced an A$25m convertible note issue. On Wednesday Pioneer gained virtual control of the Nabarlek uranium mining project through a market raid on the shares of Kathleen Investments, having spent over A$15m on the move. It is also in the middle of an A$30m market operation to purchase 20 per cent of Ampol Petroleum.

The convertible issue is one note for every ten shares held. The notes have a 10-year maturity and can be converted at yearly intervals starting in 1981.

Conversion is one-for-one at $1.85 each, a 12 per cent premium on the market price of A$1.65. The interest rate is 10.75 per cent.

Pioneer is holding its dividend at 10 cents on capital increased by a one-for-eight scrip issue. Earnings per shre equalled 25.8 cents, compared with 23.9 cents in 1977-78.

Strong growth in overseas operations, the directors said, accounted for about 60 per cent of the profit increase. Australian growth came from associated companies.

Domestic trading conditions improved in the second-half and continued in the opening months of the current year. Continued improvement in Hong Kong, Israel, the UK and Spain helped the overseas division's result. Italian operations reduced their trading losses. The group completed its first year of operation in the U.S. with the expected losses associated with start-up costs. Three plants are now operating there with another three to start next year.

Two new offerings for Belgian bond market

BY JEFFREY BROWN

THE RE-EMERGENCE of Belgium's primary bond market gathered pace yesterday following the announcement that the cities of Antwerp and Liege are between them to borrow BFr 11bn ($385m).

The funding move by the two cities follows the success earlier this month of the Belgian State offering—which raised a record amount for a government bond of BFr 69.5bn ($2.4bn)—and comes after the weekend realignment of currencies within the EMS.

The EMS realignment has, for the moment, eased the upward pressure on Belgian interest rates, although dealers in Brussels continue to stress that confidence is returning very slowly. However, the two new issues—both over eight years on a coupon of 10 per cent—are expected to prove successful.

Dealers predict that the two offerings will command just under par when issue prices are struck next week ahead of the opening of subscriptions on Wednesday, October 10.

The domestic bond programme in Brussels includes two more issues this year. The next, at the beginning of November, will be for the Fonds des Routes, the state roadbuilding fund, which is expected to raise around BFr 30bn. In December a bond for Regie des Telegraphes et des Telephones will be issued and should raise BFr 12bn.

This month's borrowing by the government lifted bond issues by the Belgian states to BFr 246m.

● The West German state of Lower Saxony is raising DM 250m on the domestic bond market through the issue of eight year bonds with a coupon of 7½ per cent. Issue price is expected to be 99½.

TOKYO STOCK EXCHANGE

Foreigners lured by stock boom

BY RICHARD C. HANSON IN TOKYO

THE TOKYO stock market is experiencing another of its remarkable price booms. The rally has lured foreign investors back to Japanese shares in large numbers and at the moment shows little sign of collapsing despite potential economic difficulties.

Yesterday the Nikkei Dow index of 225 stocks soared nearly Y62 to a record Y6,539.71 after a moderate decline on Wednesday. It was the biggest single day gain since May.

The recent performance of Tokyo share prices reflects a great deal of renewed confidence that Japanese business is doing well, and will continue to show healthy results at least into early 1980. Most surveys published recently indicate rather sharp gains in operating profits in the half year ending this month followed by smaller increases in the term ending next March.

The economy as a whole is still growing at an annual pace of over 6 per cent although it is generally expected to slow to perhaps half that pace late this year and into 1980. Despite the adverse impact on commodity prices of the recent oil price increases private demand remains strong led by consumer spending and a recovery in corporate investment in new plant and equipment.

Underlying the strength of share prices, however, is a built-in imbalance in the supply of stocks compared with the amount of funds which has owed into the market, essentially for a lack of other investment opportunities.

While individual investors have had a net outow of funds from the stock market, cash heavy life insurance, other financial institutions, and corporations have been pouring funds in for the past two-and-half years.

> **The recent increase in Tokyo stock market prices to record levels reflects renewed confidence in the immediate Japanese business outlook. The rally has attracted many foreign investors back to Japanese shares**

Foreigners have returned since early August as big net buyers for the first time in more than four years. In August net foreign buying of shares totalled about Y15bn ($68.2m).

The second week of September saw the heaviest buying by foreigners since March 1975, bringing the half-month net buying to about Y11.3bn, according to securities house estimates.

Foreign investors, including some institutional investors buying their first Japanese shares, appear to be motivated by two major factors. First, Japanese business has gained a solid reputation for coping with fast changing and difficult economic environments. Secondly, there is a feeling that the Yen runs little risk of further depreciation after steady declines since late

Foreigners have been ignoring past disadvantages of buying Japanese shares, including low yields and very high price/earnings ratios.

The foreign buying, mainly of blue chip stocks such as light electronics and makers of such precision machines as cameras tends to act as a rallying call for the stock dealers who need little excuse to produce flurries of buying and selling. This is particularly true now because the major securities houses are gearing up for (or have launched) beginning-of-the-term sales sprees.

The present business accounting period ends September 30, but stocks went ex-dividend for the term earlier this week. This prompted Nomura Securities to unleash its huge sales force on the apparently speculation-prone public in advance of the other big four houses.

The excess demand for Japanese shares will probably continue for the foreseeable future—regardless of setbacks the market may see if OPEC prices are raised again at the end of the year.

The Government's attempts to curb inflation by tightening credit could threaten stock prices if serious slowdowns in economic growth result.

Although monetary authorities may boost the official discount rate (following a steep July increase), such a move would mark a peak in interest rates.

Demand for stocks is solid because the value of new share issues—about Y500bn to Y600bn a year—which pass directly into the hands of investors and not through the market—barely keeps up with net new buying by institutional investors. An indication of the enormous reserves of investment funds is that the value of paid-in capital for listed Japanese companies has risen only 2.8 times since 1965 to Y11,200bn. But the value of assets in the hands of individuals has increased 8.7 times to Y286,600bn—or Y56,000bn more than the nominal value of Japan's GNP last year.

Wall St. dips and rallies in morning session

INVESTMENT DOLLAR PREMIUM
$2.60 to £1—36% (36¼%)
Effective $2.2033 15¼% (14¼%)

AFTER AN easier start on fears of another round of oil price increases, Wall Street partially recovered to make a mixed showing at mid-session after fairly active trading.

The Dow Jones Industrial Average, after an initial decline of three points, picked up to record a marginal net gain of 0.35 at 887.20 at 1 pm. The NYSE All Common Index was a net 6 cents up at $62.63, while rises and falls after the morning session were about evenly matched. Turnover amounted to 23.56m shares, down from Wednesday's 27.17 level at 1 pm.

Closing prices and market reports were not available for this edition.

Sources in the Rotterdam oil market predicted that Nigeria, Algeria and Libya may raise oil prices by $5 a barrel from October 1.

Investors were also concerned about the record high gold price fixing of $395.50 an ounce in London and further weakness in the dollar.

Analysts added, however, that the ability of the market to hold its ground in the face of so many negatives had attracted some buying, although strength was concentrated in Metal and Oil issues.

Mostek jumped $15½ to $58¾ bid in over-the-counter trading. United Technologies, down $¾ at $41¾, has agreed to buy Mostek for $62 cash a share.

Volume leader Mobil climbed $1¼ to $53 on reporting a potentially significant discovery of hydrocarbons off Cameroon. Damson Oil, which holds a stake in the discovery, gained $1¼ to $16 on the American exchange.

In the Metals group, Phelps Dodge rose $1½ to $31½, Asarco $2 to $30¾, Homestake Mining $1¾ to $42¾ and First Mississippi $¾ to $19¾.

Pan-American World Airways added $¼ at $7. The Civil Aeronautics Board has turned down Eastern's request to bid for National Airlines. Eastern slipped $¼ to $7¾, but National were unchanged at $47¼.

Tiger International lost 1¼ to $23¾ and Olin 1¼ to $21¼. Both are expecting sharply lower third-quarter net profits. Kaiser Steel predicted a pre-tax loss from steelmaking operations and shed $¼ to $35¼.

THE AMERICAN SE Market Value Index managed a fresh improvement of 0.43 at 226.96 at 1 pm. Volume 3.53m shares (3.91m).

Cominco rose 2¼ to $40¼ and O'Okiep Copper 3¼ to $47¾.

Canada

Most sectors continued to strengthen in heavy early dealings, with Mining issues remaining the centre of buying interest. The Toronto Composite Index gained 9.5 to 1,760.7 at noon, while Golds climbed 58.3 to 2,296.5 and Metals and Minerals 33.5 to 1,610.4, although the Oils and Gas index was only 1.8 higher at 3,387.2. In Montreal, Papers rose 2.21 to 182.16 but Banks declined 0.76 to 315.54.

Oils were mixed. Gulf Canada, a partner in the Hibernia well, rose ¾ to C$102¼, while Shell, which has three new gas discoveries in Alberta, gained ¾ to C$102½.

Tokyo

With the market attracting strong foreign demand, shares mainly moved ahead in another large turnover with some sharp gains occurring. The Nikkei-Dow Jones Average advanced beyond the 6,500 mark to close 61.85 higher at an all-time peak of 6,539.71. The Tokyo SE index rose 3.90 to 460.33, while volume came to 520m shares (560m).

Supported by active buying from foreign investors, Trading Houses and Heavy Electricals went up briskly, while Light Electricals, Precision Machinery issues and Motors were also broadly bunted, together with some other promising Blue Chips.

A broker noted that foreign investors, expecting Japan's economy to expand smoothly despite the recent credit tightening and the oil price increase, have been shifting their surplus funds into Japanese stocks. He said that they apparently believe the yen will strengthen by the end of this year. "A large amount of surplus funds flowed into the market from such financial institutions as agriculture and forestry banks, and wealthy individual investors, and boosted buying pressure," he added.

Insurance and Real Estate stocks were selected by investors who expect inflation in Japan to continue, but some segments of Oils and Mines eased slightly on profit-taking.

Among Trading Houses, Mitsubishi jumped Y42 more to Y715, Mitsui Y36 to Y424 and C. Itoh Y18 to Y464.

Honda Motors rose Y15 to Y620 and Tokyo Marine Y54 to Y600, while Hitachi, Y275, and Kubota, Y341, improved Y9 apiece.

Australia

Strong markets for base metals in London and an upturn in gold in New York and on the Sydney futures exchange helped the Sydney share market to put on another bright performance yesterday. The Sydney All Ordinaries index climbed 3.90 more to a fresh record high of 663.63, while the Metals and Minerals sub-group index strengthened 42.89 to 3,872.70. The Melbourne stock market was closed for a local holiday.

In the wake of the overnight recommended rival shares plus cash bid for BH South from CRA, the former advanced a further 20 cents to A$3.20, with investors keen to see whether National Mutual Life will respond by increasing its A$2.50 offer. CRA declined 6 cents to A$3.86, currently valuing its bid at A$3.34 per BH South share.

Pioneer Concrete moved ahead 11 cents to A$1.72, benefiting from reported record profits, a well received capital raising plan, and its recent successful market raid on the shares of Kathleen Investments, thus securing a controlling interest in the Nabarlek uranium mining project. There was continued buying of Kathleen, but the shares were steady at A$6.00. Its 50 per cent owned subsidiary and partner in the uranium venture, Queensland Mines, gained a further 16 cents to A$5.56.

Copper Mining issues remained buoyant, with MIM adding 8 cents at A$4.50, Mount Lyell 13 cents at A$1.25 and Bougainville 12 cents at A$2.49.

North Broken Holdings were 13 cents higher at A$2.45, while Central Norseman Gold rose 14 cents to A$7.50, Poseidon 6 cents to A$1.28 and GMK 8 cents to A$2.18.

Oils were in good form, with Woodside at a new high for the year of A$1.38.

Best groups elsewhere in the market were Banks and the NSW steaming coal miners who have won some good contracts with Hong Kong and Korea utilities.

Hong Kong

After taking its recent upsurge a stage further, the market encountered late profit-taking which left stocks easier for choice on the day. The Hang Seng index, which had risen sharply by 52 points over the past three day's to an 11 months' high, closed 4.59 down yesterday at 663.70. Total trading volume on the four exchanges was a substantial HK$293.18m, but fell well short of Wednesday's very heavy HK$407.69m when the Hang Seng index rose 25.69.

Interest again centred on Hutchison Whampoa, which after a strong morning rise, firmed sharply in the afternoon following the company's asset valuation estimate of HK$14.40 a share, and the stock reached around HK$8.20 before falling back to close at HK$7.70 for a gain on the day of 85 cents.

Cheung Kong was also aided by the Hutchison asset valuation, adding 30 cents at HK$17.60, with speculation continuing over its future intentions following its acquisition of 22 per cent of Hutchison from Hongkong and Shanghai Bank and rumoured additional stock market purchases.

Elsewhere, prices generally reacted late as profit-taking set in around Hutchison. Hongkong Bank lost 40 cents to HK$14.90 and Hongkong Land, ahead of interim results, shed 30 cents to HK$10.50. Swire Pacific relinquished 10 cents at HK$9.45 and Wheelock 2.5 cents at HK$3.65.

Germany

Share prices were mixed to lower in what observers called trendless, nervous trading. The Commerzbank index slipped back 1.8 to 761.7.

Market sources said trading was influenced by turbulence on the foreign exchange, with investors feeling uncertain about the effects of the sharp rise of the mark against the dollar.

Banks, Stores, Machine Manufacturers and Motors were broadly lower. Daimler Benz shed DM 2.50, BMW DM 2.00, Deutsche Babcock DM 2.00, GHH DM 1.50, Deutsche Bank DM 1.60 and Karstadt DM 1.50. In Electricals, AEG touched an all-time low of DM 42.00 before ending a net DM 1.30 off at DM 42.80.

Public Authority Bonds were mixed with movements either way ranging to 15 pfennigs. The Bundesbank sold DM 16.4m nominal of paper.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

WEDNESDAY'S ACTIVE STOCKS

NEW YORK

CANADA

GERMANY

TOKYO

AUSTRALIA

STOCKHOLM

OSLO

JOHANNESBURG

PARIS

AMSTERDAM

BRUSSELS/LUXEMBOURG

SWITZERLAND

COPENHAGEN

MILAN

VIENNA

BRAZIL

SPAIN

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS 4025

C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	14 %
Amro Bank	14 %
American Express Bk.	14 %
A P Bank Ltd.	14 %
Henry Ansbacher	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank of Credit & Cmce.	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½%
Barclays Bank	14 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
Canada Perm't Trust	14 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	14 %
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
Credit Lyonnais	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
English Transcont.	14 %
First Nat. Fin. Corp.	15½%
First Nat. Secs. Ltd.	15 %
■ Antony Gibbs	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Julian S. Hodge	15 %
Hongkong & Shanghai	14 %
Industrial Bk. of Scot.	14 %
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	15½%
Lloyds Bank	14 %
London Mercantile	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Schlesinger Limited	14 %
E. S. Schwab	14 %
Security Trust Co. Ltd.	15 %
Shenley Trust	15 %
Standard Chartered	14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	15 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½%
Williams & Glyn's	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

Financial Rand U.S.$0.89½ (Discount of 26%)

COMMODITIES AND AGRICULTURE

Boost for Ghana's cocoa crop

ACCRA—Ghana's mid-season cocoa crop has exceeded all expectations.

Reports from main cocoa growing areas indicate that purchases of the mid-crop will total at least 13,000 tonnes, Mr. Kwame Pianim, chief executive of the Ghana Cocoa Marketing Board said here.

Mr. Pianim said this would be more than 50 per cent higher than the average for the past two seasons.

He expected purchases during the main crop season, starting on October 12, to exceed last year's low figure of 250,000 tonnes.

Mr. Pianim attributed the improved purchasing figures for the mid-crop season, which ended yesterday, to effective policing of Ghana's borders with Togo and the Ivory Coast, a higher producer price now paid to Ghanaian farmers, and good weather.

Mid-crop purchases in the Volta region, which borders Togo, are reported to have gone up from 55 tonnes last season to more than 700 tonnes this year.

Both the Ivory Coast and Togo had benefited from large-scale smuggling of Ghana's cocoa in the past few years. This had cost Ghana more than 50,000 tonnes of cocoa a year.

French protest over fish rules

BY CHRISTOPHER PARKES

ANGRY BRETON fishermen yesterday dumped a lorryload of lobsters and crayfish from Britain into Roscoff harbour, sprayed a shipment of mackerel with diesel oil and temporarily invaded the cross-Channel ferry Cornouailles.

They were protesting at newly-introduced British regulations governing the size of mesh permitted on shrimp boats fishing inside the UK's 200-mile zone.

As the fracas developed, British farmers and meat traders were preparing a plan to ship lamb to France, which could result in similar scenes at other French ports. This would further heighten the growing tensions between the British and French Governments over Common Market fish and farm policy.

FMC, the biggest meat company in the country is one of several traders believed to be planning to ship loads of lamb to France next week in defiance of a French import ban.

M. Pierre Mehaignerie, the French Minister of Agriculture, said on Wednesday that he would appeal against the recent European Court ruling that France must scrap its controls on imports of lamb from the UK.

In the meantime, the current ban would remain in force, he added.

Angered by M. Mehaignerie's intransigence, Mr. Richard Butler, president of the National Farmers' Union, yesterday accused the French of trying to "impose a small, highly protected luxury market for lamb upon the EEC.

"Until she gets her way in this, France refuses to admit Britain to the Common Market we joined seven years ago."

The French attitude would "shake the faith of the British farmer in the Common Agricultural Policy," he said.

"They are bound to see that there is one rule for the UK and another for France."

During the outbursts, Mr. Peter Walker, Minister of Agriculture, was closeted at an informal meeting with his EEC counterparts in the Irish countryside.

Physical attacks on contentious cargoes have become common place at French frontiers. Last year, pigs coming in from Belgium and Holland were set free on the roads.

Wheat crop estimate lowered

THE INTERNATIONAL Wheat Council has lowered its forecast for 1979-80 world wheat crop to 405m tonnes. This compares with the July estimate of 410m-415m tonnes, and output of 442.5m tonnes.

As a result, carry-over stocks in the five major exporting countries are expected to fall to 48.1m tonnes, against 54m tonnes previously.

The main reason for the fall in world wheat output is a decline in Soviet production, now forecast at 85m tonnes—almost 36m tonnes below the 1978 record levle. The Soviet shortfall more than offsets rises elsewhere, notably the U.S. and China.

Meanwhile, in Paris the National Cereals Office raised its estimate for the 1979-80 French wheat deliveries to 15.5m tonnes from its end-August forecast of 14.7m to 15.2m tonnes. But this is still well below the record of 17.2m tonnes produced last season.

The estimate of maize deliveries for 1979-80 is 8.5m tonnes, compared with 7.68m in 1978-79, according to the cereals office.

The office has raised its estimate for hard wheat deliveries to 316,000 tonnes, up from the previous estimate of 288,000 tonnes.

FRENCH LAMB RULING

Little reason for optimism

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE EUROPEAN Court's decision that the French Government's restrictions on sheep meat imports from the UK are illegal has been welcomed by Britain's sheep farmers.

These restrictions, which can vary from a heavy duty to an outright ban, according to the French market price have kept French lamb prices at a substantially higher level than those in the UK. They have also resulted in a steady fall of exports directly from the UK into France, which has not been matched by exports to other European countries.

The attraction of the French market is obvious. The present market price is sustained at about 220p a kilo, while that in Britain has fallen from about 210p in early May to 135p last week. There has been a ban on imports into France for the last seven weeks. When the market was open, the duty was as high as 86p a kilo.

But farmers who hope that the court judgment will open the French market — and there are quite a few of them — are likely to be disappointed. The general expectation is that the French Government, prodded by militant farmers, will use every means in its power to prevent absolute free trade in sheep meat.

This will be bad news in the UK, because tha trade for sheep this autumn is very depressed. The prices of breeding ewes and ewe lambs are between 20 and 30 per cent lower than last year, and the returns from older ewes are even worse.

Even fat lambs, now in receipt of a deficiency payment, are making slightly less than they were at the same time last year. This has particularly affected the fortunes of hill farmers, who rely on sales of cross-bred breeding sheep for a major part of their income, and who suffered seriously last winter from bad weather conditions.

The circumstances have also materially affected many farmers who buy young sheep, keep them for a year and then resell them. They say that the ewes they have sold this autumn have not covered their cost as ewe lambs last year.

Some farmers, of course, have benefited. Those who buy replacements have been able to do so at the most economic level for some years.

The basic reason for the poor trade in ewes is that numbers have increased under the stimulation of high prices in past years to a point where they have exceeded demand.

The prospects for next year do not look much better. According to the Meat and Livestock Commission (MLC), the supply of mutton and lamb in 1980 could be up to 20,000 tonnes higher than this year, partly due to a larger flock. In addition, the MLC notes, consumption of sheep meat is showing a slight decline.

It is obvious that these considerationa are apparent to French farmers, whose sheep systems are in general intensive. The systems are hased on housing and coocentrate feeding and not on grass, as in Britain. The effects of unloading a further 10,000 or 20,000 tonnes of lamh onto the French market could hring the price there hack to UK levels—a price which would put many French farmers out of husiness.

Because the French market bas become increasingly difficult, exporters have moved into other markets, particularly Belgium and Germany, where no duty is levied. And some of these exports beve found their way to France. But growth in these markets io extremely slow. Competition is fierce, perticularly from Eastern Europe.

The position to complicsted hy the importation into the UK of large quantities of New Zealand lamb. French spokesmen insist that any freeing of trade in sheep meat hetween Britain and France should include some measure of control qver New Zealsnd imports. Otherwise, they say, the British will est cheap, New Zealand lamb, while exporting their owo to France.

This is the reason hehind the insistence that there ohould be s sheep regulstion under Common Market rules, to include minimum import prices, intervention buying and so on, all paid for with Community cash.

This is st present ruled out of court by Mr. Peter Walker, Minister of Agriculture, who hss stated that there should he no interference with New Zealand imports, and that any financing of French sheep farmers should be a national responsihility.

He has also suggested that, as Britain immedistely repealed s ban on potato imports when ordered to by the Court, that the French should follow suit.

But the two products are not quite compatible. Transport costs effectively act as a bar to potsto imports—being from 30 to 50 per cent of the market price—while the costs of shipping lamb to Paris are probshly no more than 5 per cent of their final value.

Sheep farming in France is an important industry with a total of 11.5m bead, ao against 28m in the UK. The sheep are mostly concentrated in the upland sreas of Southern and Central France, and successive French Governments have spent large sums helping sbeep farmers to modernise their holdings and produce for a specialised market.

This is for a lean meaty lamh with very little fat, selling at a very high price—a luxury and not an everyday food. This is quite different from what the British trade have regarded as fat lamb until now. No doubt the twain could one day meet the twain could one day meet, hut there could he a very long and difficult period before a completely free market is estsblished.

Farm tax claims countered

BY CHRISTOPHER PARKES

THE GREAT majority of owner-occupier farmers in Britain can ensure that their holdings are passed intact to their heirs without the need to sell off land to meet tax bills, according to a study by the Milk Marketing Board.

The findings appear to contradict dramatic claims from agricultural organisations that present tax laws will lead to the dismemberment of farm holdings in general.

"By using the concessions available, a farmer of reasonable management ability should be able to pass intact to his heir a farm of up to 400 hectares," the study says.

Average farm size in England and Wales is 48 hectares, according to latest Government data, and there are 199,000 farmers. The Ministry of Agriculture does not provide statistics which can be directly applied to the Milk Board's theory, but they show that there are only 900 farms of more than 500 hectares in the two countries.

The board's analysis shows, however, that recent rapid increases in land and other asset values have greatly increased the owner-occupier's notional liability for capital transfer tax.

Investigation of a sample of 183 dairy farms shows that on a farm of about 100 hectares the potential CTT liability has risen from £18,000 in 1975 to £54,000 last year.

Apart from gaining valuable concessions from the Government since 1975, owner-occupiers can also ease their tax liabilities by making personal arrangements.

The bills can be reduced by splitting farms equally between husband and wife. Children can be made partners and assets can be gradually made over to them. Insurance policies can be used to cover taxes, and farmers can convert their holdings to tenancies and let their land to partnerships of which they are members.

The study stresses that most of the concessions and loopholes are available only to working farmers and not absentee landlords. "This obviously has grave implications for the private landowner and as a consequence the long-term future of the tenant farmer," it adds.

There has been a relatively rapid decline in the proportion of tenanted holdings in Britain from 88 per cent in 1908 to 43 per cent last year.

● The report also notes that among the dairy farms studied profits increased sharply last year. Average profit per hectare rose from £77 to £127. Tenants' profits rose from £69 to £138 a hectare.

Tenants and Owner-occupiers: Changes in Financial Fortune 1975-78, Milk Marketing Board, Farm Management Services Information Unit, 39, Christchurch Road, Reading, Berks., RG2 7AW.

Pressure on sugar quotas attacked

GEORGETOWN — Guyana has complained bitterly about difficulties in holding on to sugar quotas into Europe under the Lomé Convention.

Mr. Ian McDonald, the country's chief sugar marketing expert, told technologists of the Sugar Association of the Caribbean (SAC) that the sanctity of the quota had to be fought for from day to day.

"Sometimes one feels like a man running backwards and forwards along an endangered dam, patching and patching, as French beet farmers, bureaucrats in Brussels, and unsympathetic European pressure groups of all sorts, who do not know or hardly care about our circumstances, try to punch holes in the dam and let the whole structure wash away," Mr. McDonald said.

He said the slightest shortfall could lead to immediate suspension of quotas.

Oak wilt compromise emerging

BY A SPECIAL CORRESPONDENT

AFTER THE latest round of talks on oak wilt disease at Brussels it now seems unlikely that the EEC will concede the original French request for a complete han on imports of American oak.

The French began their campaign against U.S. oak imports last February. Since then the position has been under review by the EEC plant health committee, which first set itself the target of producing new regulations hy September 1. But it is now apparent that the end of this year is the earliest date by which any new regulations can be agreed.

Oak wilt is a fungus disease of oak trees, which occurs in shout 21 states in a central and eastarn band of the U.S. The symptoms are similar to Dutch elm disease; the foliage wilts and turns brown and may then be shed from the ends of the branches in the upper crown of the tree. Unlike the present strain of Dutch elm disease, oak wilt is not particularly virulent and its spread is slow. It has been known and recognised in the U.S. since 1942, but large areas within the affected states ara still clear.

Britain imports very few American oak logs. But there are considerable imports of sawn oak lnmber, mostly used to make harrels for the Scotch whisky distillers. There is no acceptable substitute. Britain has already erected barriers against the risk of importing the disease. The Importation of Wood and Bark (Prohibition) Order 1977 lays down that all bark must be removed in the conntry of origin. The moisture content of first sawn timber mnst be below 20 per cent. Fully sawn or square edged material falls outside the regulation because the layer of wood immediately below the hark is removed. This is thought to make the risk of infection small.

During the months of negotiation in Brussels there seems to bave been some modification of the positions that were first drawn up. Once the implications of an import han for the whisky distilling industry had been fully considered; the UK Timber Growers Organisation appeared to be willing to agree that Britain's present stringent regulations were a sufficient safeguard. The French bave become far less vociferous for a complete ban.

At first, the EEC plant health committee appeared to be leaning towards the application of regulations broadly in line with those already in force in Britain. But this was not acceptable to the German timber indnstry, which imports a large number of oak logs from America for its big veneer cutting trade. It maintained that without hark the logs would deteriorate during transport.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Sharply higher on the London Metal Exchange as Comex went limit-up for the fourth successive day. [illegible]

TIN—Marginally higher. [illegible]

LEAD—Higher influenced by the continuing upsurge in copper. [illegible]

ZINC—Barely changed. [illegible]

ALUMINIUM—Firmer on the back of strong rises in other metals. [illegible]

NICKEL—Higher. [illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

WOOL FUTURES

[illegible]

RUBBER

The London physical market opened firm and was uncertain throughout the day, closing on a slightly easier note. Lewis and Peat reported a Malaysian godown price of 286.5 (281) cents a kg (buyer, October).

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

MEAT/VEGETABLES

[illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

AMERICAN MARKETS

NEW YORK, Sept. 27.

RUMOURS OF OPEC intentions to move to a basket of currencies and reports of a $12 to $13 increase in the spot prices of crude oil catapulted silver to limit up closes and gold to near-limit advances while causing weakness of the dollar. Copper also closed limit up despite producer selling. General [illegible]

Jan. 71.30, Feb. 71.25-71.35, April 71.60-71.70, June 72.60-72.70, Aug. 72.00-71.70, Oct. 70.75, Dec. 72.00. Sales: 32,199.

Live Hogs—Oct. 36.00-35.85 (36.55-35.92), Dec. 37.35-37.20 (37.15-37.27), Feb. 39.20-39.00, April 37.50-37.65, June 41.20, July 41.60-41.50, Aug. 40.90, Oct. 40.00, Dec. 41.15. Sales: 7,206.

[illegible]

EUROPEAN MARKETS

ROTTERDAM, Sept. 27.

[illegible]

INDICES

FINANCIAL TIMES

Sept. 26	Sept. 25	M'nth ago	Year ago
301.80	298.85	289.11	253.51

(Base: July 1, 1952=100)

MOODY'S

Sept. 26	Sept. 25	M'nth ago	Year ago
1157.6	1143.5	1101.9	956.9

(December 31, 1931=100)

DOW JONES

Dow Jones	Sept. 26	Sept. 25	Month ago	Year ago
Spot	412.48	411.89	402.70	376.37
Fut's	416.28	415.10	413.58	374.80

(Average 1924-25-26=100)

REUTERS

Sept. 27	Sept. 26	M'nth ago	Year ago
1659.5	1658.0	1563.3	1494.8

(Base September 18, 1931=100)

COMPANY NOTICES

NEW KLEINFONTEIN PROPERTIES LIMITED

INTERIM REPORT

[illegible]

28 September, 1979.

Emphasis on Gold shares as all main sectors progress
Sizeable demand for Gilts activates both tap stocks

ACCOUNT DEALING DATES

Option *First Dealings	Declarations	Last Dealings	Account Day
Sep. 10	Sep. 20	Sep. 21	Oct. 1
Sep. 24	Oct. 4	Oct. 5	Oct. 15
Oct. 8	Oct. 18	Oct. 19	Oct. 29

* "New time" dealings may take place from 9.30 am two business days earlier.

The emphasis in stock markets yesterday was firmly on Mining issues and, in particular, on South African Golds which were buoyant and up to 3½ points higher in the case of heavy-weight stocks on the back of another upsurge in bullion. At the same time, sizeable funds were again invested in Gilt-edged securities following the exhaustion on Wednesday of the short tap stock.

The Government broker was able to operate for the first time both the medium and long tap stocks at prices ½ above their respective issue levels; he later withdrew from selling supplies of the longer issue, the £30-paid Exchequer 12 per cent "A" 1999-2002, at 30⅛ and was not tested at a higher level. Business in the medium £40-paid Treasury 11½ per cent 1989 was not in any volume.

Leading equities made an indecisive start but later went ahead for the fifth successive day despite sterling's latest rise and continuation of disruption in the engineering industry. Further institutional inquiries encouraged a general demand, and any selling of consequence was easily absorbed.

ICI were especially firm again with a rise of 6 to 367p. Vickers gave ground on half-yearly profits which proved to be a shade disappointing, but Dunlop hardened the turn after the group's first-half statement. A lengthy list of company trading announcements kept interest at a good level, while speculation in potential bid and situation stocks showed no sign of abating.

Of the FT indices, the Gold Mines index staged an extra-ordinary leap of 20.6 to its highest level since November, 1975 of 247.1; the 30-share measurement rose 3.1 to 473.0 for a gain of nearly 15 points in the past five trading sessions, while the Government Securities index improved 0.03 to 72.66 to extend its rise over the same period to 0.65.

The stronger pound brought lower rates for investment currency with the premium down to 34¾ per cent before a rally to 36¼ per cent and a close of 36 per cent for a net loss of only ¼. Trade was again active with business emanating from many sources and on both buying and selling account. Yesterday's SE conversion factor was 0.6873 (0.6710).

The record bullion price and continuing strength of copper stimulated interest in mining issues in the Traded options market. A total of 702 contracts were completed, with Cons. Gold Fields and RTZ recording 240 apiece.

Alex. Howden pleases

In complete contrast to other dull Lloyds Brokers which lost ground following sterling's renewed relative strength, Alexander Howden rose 6 to 93p in response to the better-than-expected first-half earnings and 40 per cent increase in the interim dividend. C. T. Bowring lost 5 to 118p, after 116p, following the reduced interim profits, while Christopher Moran declined 4 to 36p and Minet, 128p, and Willis Faber, 227p, cheapened 3 apiece. Brentnall Beard softened 2 to 16p. Elsewhere, Hambro Life gave up 4 to 135p, after 131p, following the interim statement but Sun Alliance moved up 9 to 549p and Phoenix added 4 to 250p.

F. C. Finance became a prominent dull feature in the banking sector, falling to 58p and closing 5 off at 63p in reaction to more than halved interim profits. London Scottish Finance, at 63p, lost 2½ of the previous day's Press-inspired rise of 4½. The major clearing banks attracted a reasonable demand and Barclays closed 7 higher at 442p.

Breweries encountered a better business than of late and the leaders generally firmed a penny or two. Regional issues made useful headway, albeit in narrow markets; Higsons, 75p, Wolverhampton and Dudley, 300p, and Marstons, 110p, all rose around 3. Elsewhere, Macallan-Glenlivet improved 20 to 510p on the annual results, while interest was seen in Highland, 5 up at 110p. Distillers, 1 harder at 234p, tended to lag as the dispute at its distilleries continues. Speculative demand was again shown for Sandeman which put on 5 to 83p.

Interim profits well below expectations caused dullness in Geo. Wimpey which fell to 75½p before closing 3 lower on the day at 79p. Reduced half-yearly profits also influenced a fall of a penny to 98p in Aberdeen Construction, but Galliford Brindley responded to satisfactory preliminary figures with a rise of 3 to 65p. Elsewhere in the Building sector, Burnett and Hallamshire firmed 5 more to a 1979 peak of 505p, while fresh scattered demand left Manders 3 higher at 175p.

A reasonably brisk trade developed in ICI which pushed ahead further to close 6 up at 367p. Elsewhere in Chemicals, Fisons firmed 5 to 250p, while revived demand lifted Carless Capel 4 to 57p.

Stores good

Hopes that next month's income tax rebates will lead to a substantial increase in consumer spending helped buoy sentiment in leading Stores but stock shortage was the major influence behind yesterday's good gains. Gussies "A" stood out with a rise of 12 to 406p, while British Home put on 5 to 251p and Mothercare improved 4 to 176p. Additionally helped by a combination of bid and enfranchisement hopes, Burton "A" advanced 6 afresh to 288p; the Ordinary rose 8 further to 315p and the Warrants 5 more to 121p. Elsewhere, renewed investment support lifted Harris Queensway 12 to a 1979 peak of 300p, while Executex Clothes rose 4 to 37p on buying in front of today's interim results. Home Charm advanced 6 more to 148p and Bambers added 5 to 125p, while Waring and Gillow improved 4 to 140p following the chairman's encouraging statement. By way of contrast, profit-taking caused Walt Mill at 52p, to lose 8 of the previous day's jump of 34 which followed news that Mr. Stephen Boler had acquired 64 per cent of the equity at 27p per share.

GEC were a reasonably lively market and edged up to close 4 dearer at 386p, but other leading Electricals closed with little alteration. Among secondary issues, demand persisted for Automated Security which advanced 7 more to 227p, while fresh buying interest was shown in Pifco issues, the ordinary and "A" rising 3 and 5 respectively to the common price of 100p. Unitech rose 6 further to 226p and United Scientific firmed a similar amount to 342p. Arlen rose 5 to 92p; the price given in yesterday's issue was incorrect.

Disappointment with the half-yearly figures prompted dullness in Vickers which eased to 150p before settling at 151p for a fall of 3. Other leading Engineers passed an extremely quiet session, but were inclined harder. Elsewhere, renewed support in a thin market left Jones and Shipman up 13 at 180p, but lower interim profits caused a reaction of 7 to 186p in APV Holdings. Occasional demand lifted Babcock 4 to 125p and Matthew Hall a similar amount to 181p, while H. J. Baldwin took a distinct turn for the better at 21p, up 5, on further consideration of the preliminary figures. On the other hand, Expanded Metal, 3 off at 64p, and Weir Group, 2 cheaper at 71p, both closed at new lows for the year.

Foods finished with a mixed appearance, changes being restricted to a couple of pence either way. William Morrison put on 2 to 165p in response to the increased interim profits.

Hotels continued quietly, although buyers came in for Ladbroke which rose 7 to 185p, and renewed speculative attention was directed towards Hydro Hotel Eastbourne, up 20 in a thin market at 250p.

Glaxo firm

Miscellaneous Industrial leaders continued quietly firm. Glaxo were notable for a rise of 10 to 480p; the preliminary results are due on October 8. Still reflecting North Sea oil interests, LC Gas rose 17 to 555p. Buying ahead of annual figures, due on October 17, helped Kalamazoo rise 5 to 63p, while Stag Furniture rose 6 to 202p following increased interim earnings. Eastern Produce, with half-yearly figures due next month, advanced 6 to 91p and BTR found fresh support at 340p, up 13, and a thin market lifted Photo-Me International 10 to 360p.

Special situations attracted attention among Motor Distributors. Wadham Stringer eased a fraction to 39p following interim profits in line with expectations, while Appleyard gave up 3 to 71p on the discouraging tone of the company's interim statement. The bid approach continued to bolster Dutton-Forshaw, 2 up at 65p, while CGSO jumped 4 to 29p on rumours of a bid. In Components, Dunlop produced first-half profits only slightly below estimates and closed a penny to the good at 58p, while support was seen for Kwik-Fit, 5 better at 62½p.

Recent speculative high-flyer Associated Book Publishers disappointed with the interim profits setback and closed 37 down at 408p. FBC also reported disappointing first-half figures and closed 2½ off at 34p, after 32p, while the surprise £0.3m rights issue accompanying the mid-term statement unsettled Wace, 7 down at 38p. Further consideration of the excellent interim results left United 8 better at 413p, while Ferry Pickering added another 3 in response to annual results and capital proposals. Marshall Cavendish, on the other hand, continued weak following publicity given to Wednesday's interim dividend cut and lost 4 to record a two-day fall of 9 at 23p. Among leading Newspapers, Associated advanced 7 to 247p and International Thomson spurted 23 to 358p on North Sea oil optimism.

Recently involved in abortive bid discussions with Rothschild Investment Trust Corn Exchange sprang to life again in Properties on hopes of further developments and closed 15 better at 302p.

BP higher

Profit-taking was again evident in Oils, but the underlying tone remained firm. British Petroleum, up 10 at 1,290p, were helped by news that the company may be allowed an involvement in Nigeria. A little late support helped lift Shell 6 to 362p, while Clyde stood out in the more speculative issues with a rise of 22 to 274p, after 278p. Ultramar gained 10 to 344p, but Siebens (UK) reacted 9 to 274p.

Reduced first-half profits from Tootal were much as expected and the shares added 1½ to 35p following the company's indications on dividend policy. Elsewhere in Textiles, Illingworth Morris A firmed a penny to 18p after the stormy annual meeting.

Golds soar

South African Golds registered some of their biggest ever one day rises yesterday as the bullion price continued its upward spiral to close $13.50 higher at a record closing level of $395.90, after touching a peak $397 during the afternoon fixing. The Gold Mines index soared 20.6 to 247.1—its best level since November 14, 1975, while the ex-premium index climbed 17.0 to 214.5—the highest for that index since August 1975.

Demand for Golds was heavy all day with buying coming from Johannesburg, the Continent, London and the U.S. The pressure was at its highest in the late afternoon but the emergence of profit-taking took prices a fraction off the day's best.

Heavyweights were left showing gains of up to £3½ with West Driefontein that amount firmer at £31¼, while Western Holdings registered a £2½ rise at £23¾ and Western Deep put on £1½ at £12½. Gains of between a point a £1½ were common to Winkelhak, £11, Buffels, £12½, Kloof, £10½, President Steyn, £13 and St. Helena, £13½.

The buying of Golds spilled over into South African Financials where gains of between 14 and 23 were seen in Anglo American, 476p, General Mining, 853p and De Beers, 430p.

London Financials were buoyed by surging base-metal prices. Rio Tinto-Zinc rose 9 more to 324p—a three-day gain of 30—while Selection Trust put on 16 to 566p. The booming gold price prompted a 12 improvement in Gold Fields at 260p.

Record platinum prices saw Platinums move ahead strongly with Rustenburg finally 16 firmer at 180p and Impala 10 better at 220p.

Australians rose strongly across a broad front with gold and base-metal producers leading the market higher. Gold Mines of Kalgoorlie jumped 14 to 140p, Poseidon 10 to 82p and Bougainville and North Broken Hill 6 apiece to 154p and 147p respectively.

Owing to technical problems it was not possible to calculate yesterday's Actuaries indices in time for this edition.

FINANCIAL TIMES STOCK INDICES

	Sept. 27	Sept. 26	Sept. 25	Sept. 24	Sept. 21	Sept. 20	A year ago
Government Secs.	72.66	72.63	72.53	72.09	72.29	72.01	70.02
Fixed interest	72.88	72.74	72.66	72.63	72.70	72.58	71.60
Industrial	473.0	469.9	469.5	462.0	460.2	468.1	501.2
Gold Mines	247.1	226.5	224.6	216.4	210.1	211.2	170.1
Gold Mines(Ex-$ pm)	214.5	197.5	197.1	193.0	190.0	191.2	119.2
Ord. Div. Yield	6.81	6.87	6.89	7.01	7.05	7.12	5.35
Earnings, Yld. % (full)	17.46	17.61	17.67	17.98	18.22	18.44	16.15
P/E Ratio (net) (*)	7.00	6.96	6.92	6.80	6.71	6.64	8.74
Total bargains	—	18,560	18,670	17,339	15,221	17,869	18,265
Equity turnover £m	—	101.30	93.12	85.15	85.07	88.94	89.44
Equity bargains total	—	13,519	12,801	10,959	14,619	12,187	16,736

10 am 468.8. 11 am 470.3. Noon 472.4. 1 pm 472.8. 2 pm 473.0. 3 pm 472.8.

Latest index 01-246 8026.

*Nil=6.76.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex-$ premium index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979 High	1979 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	76.91 (4/5)	64.64 (8/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (5/5)	66.03 (15/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	446.1 (12/2)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	247.1 (27/9)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines Ex $pm)	214.5 (27/9)	95.2 (12/1)	337.1 (3/4/74)	54.3 (25/6/75)

S.E. ACTIVITY

	Sept. 27	Sept. 26
—Daily		
Gilt Edged	180.0	187.2
Industrials	126.5	132.6
Speculative	51.7	49.7
Totals	91.3	91.2
5-d'y Av'r'ge		
Gilt Edged	140.9	141.4
Industrials	130.0	132.4
Speculative	53.2	55.8
Totals	89.3	90.6

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979 high	1979 low
ICI	£1	11	367	+6	415	314
RTZ	25p	11	324	+9	362	226
BP	£1	9	1,290	+10	1,295	882
Dutton - Forshaw	25p	8	65	+2	65	39
Beecham	25p	7	149	+2	189	130
Charter Cons.	25p	7	165	+4	175	122
Cons. Gold Fields	25p	7	260	+12	268	178
Downiebrae	10p	7	40	+1	40	31
GEC	25p	7	386	+4	456	311
GUS "A"	25p	7	406	+12	448	288
Norsk Hydro	NKr80	7	£63¾	+¼	£63¾	£25
Shell Transport	25p	7	362	+6	402	278
Hepworth Ceramic "New"	Nil/pd.	6	6¼pm	−1	7¾pm	4½pm
Howden (A.)	10p	6	93	+6	137	79
Marks & Spencer	25p	6	106	+1	134	83

LONDON TRADED OPTIONS

Option	Ex'rc'se price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP	1100	200	8	245	—	276	—	1290p
BP	1150	150	10	—	—	—	—	"
BP	1300	22	20	80	14	130	—	"
Cons. Gold	200	63	6	66	—	71	—	261p
Cons. Gold	220	43	4	48	60	55	—	"
Cons. Gold	240	23	68	34	—	48	6	"
Cons. Gold	260	9	113	23	20	26	5	"
Cons. Gold	680	3	—	12	1	—	—	"
GEC	390	9	10	32	—	47	—	386p
GEC	420	1½	7	12	—	31	—	"
Grand Met.	06	68	6	—	—	—	—	166p
Grand Met.	108	42	2	—	—	—	—	"
Grand Met.	116	39	1	—	—	—	—	"
Grand Met.	136	19	10	66	6	—	—	"
Grand Met.	168	3½	2	11	6	—	—	"
Grand Met.	176	¾	—	4	2	—	—	"
Grand Met.	160	—	—	—	—	15	1	156p
ICI	300	68	—	77	6	82	—	366p
ICI	330	38	2	47	8	56	6	"
ICI	360	9½	10	25	6	31	—	"
ICI	390	½	—	9½	6	14	—	"
Shell	300	61	1	74	—	68	2	358p
Shell	325	38	7	52	—	—	—	"
Shell	350	16	—	38	4	—	—	"
Shell	375	5	—	12	3	—	—	"
Shell	400	1½	—	6	1	—	—	"
Shell	360	—	—	—	—	42	10	"
Totals			290		102		28	
		November		February		May		
Boots	200	6½	25	13	—	16	—	191p
EMI	90	6	—	10	6	17	—	90p
EMI	120	¾	10	3	—	—	—	20p
Imperial Gp.	90	4	5	7	—	2½	—	90p
RTZ	300	38	22	52	3	61	—	323p
RTZ	330	17	—	32	27	44	—	"
RTZ	360	7	116	—	—	—	—	"
Totals			250		32			

NEW HIGHS AND LOWS FOR 1979

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979.

NEW HIGHS (112)

AMERICANS (3)
BANKS (1)
BEERS (1)
BUILDINGS (7)
CHEMICALS (3)
DRAPERY AND STORES (4)
ELECTRICALS (2)
FOODS (1)
INDUSTRIALS (10)
MOTORS (1)
NEWSPAPERS (3)
PAPER AND PRINTING (2)
SHIPPING (1)
SOUTH AFRICANS (4)
TRUSTS (4)
OILS (6)
TEAS (1)
MINES (58)

NEW LOWS (20)

BANKS (2)
Dawes (G. R.) F. C. Finance
STORES (1)
Selincourt
ELECTRICALS (2)
Petbow Ward & Goldstone
ENGINEERING (7)
Boulton (Wm.) Hunt & Moscrop Did.
British Northrop Vickers
Ductile Steels Weir Group
Expanded Metal
INDUSTRIALS (4)
Baird (Wm.) Elec. Industrial Secs.
Chubb Sumner (F.)
MOTORS (1)
Appleyard
NEWSPAPERS (1)
Marshall Cavendish
PAPER (1)
BPC
OILS (1)
Shell 7pcPf.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Sep. 17	Sep. 28	Dec. 20	Jan. 7
Oct. 1	Oct. 12	Jan. 10	Jan. 21
Oct. 15	Oct. 26	Jan. 24	Feb. 24

For rate indications see end of Share Information Service

Stocks dealt in for the call included Debenhams, Lonrho, Premier Oil, Racal, Poseidon, Ladbroke, Marshall Cavendish, Dutton-Forshaw, S. Leboff, Geevor Tin, Stocklake, Comet Radiovision and Mining Supplies. A put was done in Marievale, while doubles were completed in Marshall Cavendish, *Burmah* and EMI

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	57	10	18
Corpns., Dom. and Foreign Bonds	17	—	48
Industrials	328	173	907
Financial and Prop.	176	48	282
Oils	14	9	17
Plantations	9	5	14
Mines	75	10	60
Others	49	45	52
Totals	725	300	1,399

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
¶¶	F.P.	—	90	80	Barlow Hldgs.	84	−1	72.6	1.1	4.4	29.2
••	F.P.	—	96	82½	Fogarty (E.) Defd.	90	−5	—	—	—	—
160	F.P.	5/9	103	182	Mercantile House	166	.....	10.72	2.3	8.3	7.8
¶¶	F.P.	—	59	50	St. George Assets 10p	57	.....	bd1.0	1.5	8.9	24.0
¶¶	F.P.	—	202	168	Seltrust A. 5oc.	198	−2	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
¶91	F.P.	21/9	87	84	Aurora 8¼ Conv. Cum. Pref.	84	.....
••	F.P.	21/9	107p	101p	Bradford Prop. 10½% Cum. Pref.	102pm	.....
¶	F.P.	00/11	106	101¼	Eastbourne Waterworks 8% Red. Pref.	101¼	.....
¶	F.P.	29/11	108¼	98¾	Essex Water 8% Red Pref. 1984	108¼	+¼
¶¶	F.P.	—	75½	62½	Lonrho 9% 2nd Mort. Deb. 87/98	68½	.....
¶¶	F.P.	—	90½	86	Do. 12⅝% 2nd Mort. Deb. 85-90	00	.....
¶¶	F.P.	—	99	93	Do. 12⅞% 2nd Mort. Deb. 80-83	96	.....
¶	F.P.	24/8	99¼	97¾	Scot. Agricultural Sec. 13% Deb. 07-99	99	.....
100p	—	7/9	103p	100p	Stonehill 10½% Cum. Prf.	102pm	.....

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date ●	Latest Renunc. Date □	1979 High	1979 Low	Stock	Closing price p	+ or −
110	F.P.	4/9	18/10	130	120	Bank Leumi	120	.....
A$2	Nil	28/9	10/10	64pm	57pm	Bank of New South Wales	67pm	.....
20	F.P.	28/9	16/10	52	28	Benlox	20	−1
A$4.50	Nil	—	—	315pm	286pm	BH Proprietary	306pm	−18
125	F.P.	21/9	12/10	161	148	Estates Property Inv.	151	.....
23	Nil	2/10	16/11	7½pm	4½pm	Hepworth Ceramics	6½pm	−1
$M1.50	Nil	—	—	20	15½	††Kulim	20	+1
30	F.P.	—	—	43pm	38pm	Lennons	42pm	.....
115	F.P.	14/9	12/10	147	120½	Macarthys Pharm.	145	.....
40	F.P.	66/9	26/10	50	48	Nolton	48½	+½
A$3	Nil	—	—	205pm	188pm	Peko-Wallsend	203pm	+3
¶¶	Nil	—	—	102pm	78pm	Seltrust	82pm	−4
146	F.P.	13/9	12/10	224	123	Unitech	224	+2
10	F.P.	5/9	17/10	12½	10½	Yorkgreen Invs.	12½	.....

*Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." •• Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 Income shares and 10 Capital shares at 125p per unit.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed., Sept. 26, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Tues., Sept. 25 Index No.	Mon., Sept. 24 Index No.	Fri., Sept. 21 Index No.	Thur., Sept. 20 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	241.04	+0.5	17.83	5.99	7.19	239.95	237.15	236.51	237.83	247.49
2	Building Materials (27)	235.92	+0.6	17.13	5.84	7.57	234.41	231.87	230.63	230.03	215.40
3	Contracting, Construction (28)	385.68	+0.2	24.39	5.91	5.10	384.96	380.68	378.76	378.51	408.54
4	Electricals (15)	622.24	+0.7	13.07	3.73	10.24	617.63	608.80	605.49	605.50	555.73
5	Engineering Contractors (12)	326.29	+0.5	21.95	7.41	5.68	324.63	317.94	321.32	325.83	378.04
6	Mechanical Engineering (74)	161.72	—	20.74	7.24	6.13	161.73	160.13	160.21	161.33	195.96
8	Metals and Metal Forming (16)	157.46	+0.4	19.31	9.52	6.43	156.77	155.88	155.68	156.20	176.09
	CONSUMER GOODS										
11	(DURABLE) (52)	240.18	+0.5	15.32	4.82	8.19	238.91	234.00	231.98	230.31	215.86
12	Lt. Electronics, Radio, TV (16)	346.89	+0.7	11.70	3.57	11.83	344.36	335.77	332.42	329.21	264.86
13	Household Goods (13)	142.65	+0.5	20.94	7.65	5.90	141.99	141.23	141.23	142.17	184.89
14	Motors and Distributors (23)	110.76	—	23.95	7.61	5.06	110.76	109.41	108.64	108.23	129.34
	CONSUMER GOODS										
21	(NON-DURABLE) (171)	238.45	+0.4	16.58	5.99	7.50	237.58	234.00	232.95	232.42	216.44
22	Breweries (14)	289.39	+0.5	15.69	5.29	7.60	287.90	283.93	283.23	283.10	228.72
23	Wines and Spirits (6)	329.33	−0.2	16.67	5.46	7.46	330.00	324.32	322.91	323.17	281.38
24	Entertainment, Catering (17)	319.55	+0.4	15.53	6.37	8.40	318.24	311.38	307.80	306.31	267.41
25	Food Manufacturing (19)	212.18	+1.1	18.72	6.44	6.63	209.89	207.17	206.47	205.82	214.48
26	Food Retailing (15)	311.73	+1.6	13.05	4.11	9.23	306.77	303.20	302.46	300.99	230.87
32	Newspapers, Publishing (12)	417.05	−1.2	22.76	6.98	6.07	421.91	421.22	419.23	418.30	393.65
33	Packaging and Paper (15)	131.98	+0.7	22.37	8.49	5.76	131.04	129.95	130.38	131.00	146.57
34	Stores (41)	237.25	+0.2	12.51	4.40	10.46	236.71	233.46	231.22	229.58	203.60
35	Textiles (23)	152.31	—	24.16	10.20	5.24	152.30	151.17	151.35	151.62	185.47
36	Tobaccos (3)	241.89	−0.6	23.57	9.19	4.79	243.38	237.35	239.30	240.80	244.89
37	Toys and Games (6)	68.81	−0.5	25.12	9.79	5.06	69.17	68.11	68.11	67.77	118.76
41	OTHER GROUPS (99)	207.99	+0.6	15.34	6.19	8.00	206.75	202.72	202.61	202.77	213.21
42	Chemicals (18)	291.81	+0.2	17.34	6.68	6.73	291.32	284.43	283.63	284.38	297.51
43	Pharmaceutical Products (7)	233.61	+0.1	11.62	4.95	10.65	233.38	228.63	227.94	227.50	283.85
44	Office Equipment (6)	123.16	+0.6	16.21	6.82	7.70	122.38	118.91	118.53	118.13	138.11
45	Shipping (10)	453.48	+2.1	11.70	6.95	10.91	444.28	436.26	451.50	450.89	431.43
46	Miscellaneous (58)	244.90	+1.0	15.94	6.14	8.01	242.50	239.14	238.45	238.82	227.51
49	INDUSTRIAL GROUP (494)	239.25	+0.5	16.50	5.95	7.58	238.13	234.44	233.63	233.44	230.52
51	Oils (6)	682.81	+1.6	16.57	7.09	6.49	672.16	659.29	656.73	627.49	505.10
59	500 SHARE INDEX	274.94	+0.7	16.51	6.16	7.35	273.11	268.69	267.75	265.42	253.64
61	FINANCIAL GROUP (116)	196.18	+0.7	—	5.41	—	194.90	192.62	191.71	192.44	165.88
62	Banks (6)	227.38	+0.9	36.36	5.63	3.51	225.45	222.85	221.31	223.09	181.88
63	Discount Houses (10)	251.26	—	—	7.31	—	251.26	250.13	251.06	252.60	204.35
64	Hire Purchase (5)	177.71	+1.7	18.61	4.90	6.89	174.79	171.74	171.74	170.75	157.11
65	Insurance (Life) (10)	163.82	+0.7	—	6.21	—	162.71	161.39	161.16	160.68	136.68
66	Insurance (Composite) (8)	129.95	+0.1	—	7.29	—	129.88	127.97	126.44	125.63	124.18
67	Insurance Brokers (10)	282.37	—	17.73	6.49	8.07	282.45	276.63	276.58	277.31	342.73
68	Merchant Banks (14)	100.96	−0.2	—	5.57	—	101.19	100.98	100.67	101.19	83.67
69	Property (43)	365.66	+1.0	3.32	2.59	43.95	362.05	358.37	357.26	360.47	259.02
70	Miscellaneous (10)	123.45	+1.6	15.07	7.26	8.50	121.48	120.12	121.37	123.24	109.73
71	Investment Trusts (110)	217.48	+0.4	—	5.26	—	216.56	215.29	214.94	213.67	229.86
81	Mining Finance (4)	136.43	+3.1	16.31	5.70	7.44	132.35	129.63	128.16	127.58	109.69
91	Overseas Traders (20)	345.80	+0.6	15.16	7.43	8.06	343.79	340.42	343.06	343.37	327.28
99	ALL-SHARE INDEX (750)	252.97	+0.7	—	6.00	—	251.21	247.50	246.62	245.13	231.20

FIXED INTEREST PRICE INDICES

	British Government	Wed., Sept. 26	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	105.11	−0.03	—	6.98
2	5-15 years	117.21	+0.57	—	8.01
3	Over 15 years	123.16	+0.66	—	9.85
4	Irredeemables	134.35	+0.41	—	9.82
5	All stocks	114.44	+0.38	—	8.26

FIXED INTEREST YIELDS British Govt. Av. Gross Red.

			Wed., Sept. 26	Tues., Sept. 25	Year ago (approx.)
1	Low Coupons	5 years	10.11	10.12	9.05
2		15 years	10.65	10.70	10.95
3		25 years	11.20	11.29	11.82
4	Medium Coupons	5 years	12.20	12.18	12.01
5		15 years	12.28	12.34	12.19
6		25 years	12.36	12.50	12.19
7	High Coupons	5 years	12.58	12.60	11.99
8		15 years	12.73	12.82	12.76
9		25 years	12.63	12.72	12.92
10	Irredeemables		11.03	11.07	11.67

		Thur., Sept. 27 Index No.	Thur., Sept. 27 Yield %	Wed. Sept. 26	Tues. Sept. 25	Mon. Sept. 24	Fri. Sept. 21	Thurs. Sept. 20	Wed. Sept. 19	Tues. Sept. 18	Year ago (approx)
16	20-yr. Red. Deb & Loans (15)	57.64	†12.88	58.22	58.19	58.18	58.06	58.10	58.11	58.14	57.70
18	Investment Trust Prefs. (15)	50.57	16.36	50.57	50.57	50.57	50.57	51.23	51.23	51.26	51.37
17	Coml. and Indl. Prefs. (20)	58.42	13.10	58.66	58.83	58.93	59.21	59.54	70.36	70.53	71.38

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 14p, by post 22p.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Gilt Int. Tst.	107.8	113.5	+0.3	3.13
Abbey Capital	38.2	40.9	+0.2	4.97
Abbey Income	44.5	47.6	+0.3	7.69
Abbey Inv. Tst. Fd.	37.9	40.5	+0.1	5.67
Abbey Gen. Tst.	48.6	51.9	+0.2	5.21
Equitas Prog. T.U.	72.4	76.4	+0.1	4.82

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref.	97.0	102.1	+0.3	12.00

Allied Hambro Group (a)(g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	73.9	79.1xd	+0.5	6.07
Brit. Inds. Fund	71.5	76.5	+0.5	5.31
Grth. & Inc	41.9	44.8	+0.3	5.36
Elect. & Ind. Dev.	38.8	41.5	+0.1	5.06
Allied Capital	77.9	83.4	+0.5	4.80
Hambro Fund	121.1	129.6	+0.8	5.67
Hambro Acc. Fd.	143.0	153.0	+1.0	4.95
Income Funds				
High Yield Fd.	72.3	77.4xd	+0.2	8.84
High Income	70.0	74.9xd	+0.3	7.48
A. H. Eq. Inc.	41.5	44.4	+0.1	7.64
International Funds				
International	27.0	28.9	+0.1	2.78
Pacific Fund	39.8	42.6	+0.4	2.09
Secs. Of America	59.0	64.0	——	1.97
Specialist Funds				
Smaller Co.'s Fd.	49.2	52.6	+0.2	3.99
2nd Smlr. Co's Fd.	59.3	63.4xd	——	4.10
Recovery Sits.	114.9	122.9	+0.2	5.46
Met. Min. & C'dty.	50.0	53.5	+0.3	4.86
Overseas Earnings	58.9	63.0	+0.2	5.24
Exempt Funds				
Far East Exempt	48.6	50.5	+0.8	2.78
Smaller Co. Exempt	75.5	79.3	+0.2	4.63
U.S.A. Exempt	104.2	108.4xd	——	3.23

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	54.3	58.5xd	——	4.50

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Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	50.5	54.0	+0.1	4.52
Do. Accum.	67.7	72.3	+0.3	4.52

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Sept. 13	111.5	111.8	——	4.83
Gross Inc. Sept. 13	78.4	79.6	——	9.80
High Yield Sept. 13	87.1	89.6xd	——	9.49

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Inc.	105.4	112.1	——	4.00
Do. Acc.	131.0	139.3	——	4.00
G.T. Inc. Fd. Un.	168.6	179.3	——	9.10
G.T. U.S. & Gen.	142.1	151.1	——	2.50
G.T. Japan & Gen.	81.9	86.6	——	2.70
♦Gt. Pens. Ex. Fd.	227.7	239.0	——	5.20
G.T. Int'l. Fund	159.0	169.1xd	——	2.60
G.T. Four Yds. Fd.	54.2	57.6	——	7.30
G.T. Far East & Gen.	46.5	50.0	——	3.00

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood. (0277) 227300

G. & A.	37.0	39.5	+0.2	4.89

Gartmore Fund Managers♥ (a)(g)
2 St. Mary Axe, EC3A 8BP 01-623 6114
Dealing only: 01-623 5766/5806

American Tst.	27.4	29.4	+0.2	1.92
British Tst. (Acc.)	66.1	71.1	+0.1	3.81
Commodity Share	32.7	35.2	+0.3	3.29
Extra Income Tst.	24.2	26.0	+0.1	9.27
Far East Trust	33.5	36.1xd	+0.3	2.97
High Income Tst.	58.6	63.0	——	9.47
Income Fund	77.6	83.5	——	7.01
Ins. Agencies	14.77	15.78	+0.03	4.34
Intl. Exempt Fd.	95.8	103.5	+0.4	7.01
Intl. Tst. (Acc.)	33.2	35.7	+0.2	1.50

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)
3 Frederick's Pl., Old Jewry, EC2 01-588 4111

Extra Income	29.7	32.3xd	+0.3	9.60
Income	43.0	46.7	+0.7	8.80
Accumulation	79.5	86.4	+0.8	3.70
Growth	44.1	48.0	+2.1	4.20

[illegible]

INSURANCE & PROPERTY FUNDS

[illegible]

OFFSHORE & O'SEAS FUNDS

[illegible]

NOTES

[illegible]

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1979 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100¼	54⅝	Treasury 10½pc '79‡‡	99⅞xd	–1/32	10.51	14.17
98¾	94½	Electric 3½pc '76-79	98¼	+1/32	3.54	12.70
99⅝	95⅞	Treasury 9pc 1980‡‡	98⅜	......	9.16	13.10
99⅝	95½	Treasury 9½pc '80‡‡	97⅝	......	9.73	13.41
97	92¼	Treasury 3½pc '77-80	94⅜	......	3.71	11.85
97⅞	92⅞	Funding 5¼pc '78-80‡‡	95⅛	......	5.51	12.09
103⅝	99⅝	Exchequer 13pc 1980‡‡	100⅛	+⅛	12.99	12.80
102¼	96⅝	Treasury 11½pc 1981‡‡	98⅝	–½	11.65	12.51
93¾	88⅞	Treasury 3½pc 1979-81	93⅜	......	3.75	8.66
99⅝	92⅞	Treasury 9¾pc 1981‡‡	96¼xd	+⅛	10.07	12.17
96¼	89½	Exch. 8¼pc 1981	93⅝	+⅛	8.78	12.25
98⅝	91¼	Exch. 9½pc 1981	95⅝	+⅛	9.94	12.19
91¼	84¼	Exch. 3pc 1981	90⅝	–⅛	3.31	8.45
98⅞	96	Treas. Variable '81‡‡	97⅝	......	14.25	15.20
104⅝	97⅞	Exch. 12¾pc 1981‡‡	100¾	+⅛	12.65	12.27

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

1979 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
103¼	98¼	FFI 13pc 1981	99¾	......	13.03	12.74
107	100	Do. 14pc '79	101	......	14.24	—
108¼	98¼	Do. 14pc '83	102¼	......	13.63	13.10
86½	77½	ICFC 5½pc Deb. '80-82	83½xd	......	6.66	12.45
85	71½	Do. 6¼pcDb. '81-84	80	+1	8.06	12.30
99	84½	Do. 10¼pc Uns.Ln. '86	94	+½	11.48	12.50
99	84½	Do. 11pc Uns.Ln. '88	94½	+1	11.98	12.40
101½	84	Do. 11¼pc Uns. Ln. '90	96½	......	12.53	12.90
72½	57	Do. 7¼pcADeb. '89-92	66½	+½	11.35	13.10
69	53½	Do. 7¼pcA Db. '91-94	63½xd	+½	11.41	13.00
81½	64½	Do. 9pc 'A' '91-94	74½xd	+½	12.08	12.90
78½	62½	Do. 8⅞pcLn. '92-97	72	+½	12.59	13.10
102	95½	Do. 12½pc. Uns. Ln. 1992	97½xd	+½	12.82	12.90

FOREIGN BONDS & RAILS

1979 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
35	22	Antofagasta Rly.	34	......	—	—
45	37	Do. 5pc Pref.	43	......	—	—
98	98	Chilean Mixed	98	......	—	13.10
48	18	Chinese 4½pc 1898	43	......	—	—
35	21	Do. 5pc 1912	29	......	—	—
20	10	Do. 5pc 1925 Boxer	15	......	—	—
430	400	German Yng. 4½pc.	425	......	4½	0.36
52	35	Greek 7pc Ass.	44	......	3½	8.22
51	34	Do 6pc 28 Stab. Ass.	43	......	6	7.93
42	32	Do 4pc Mixed Ass.	40	......	4	5.71
54	42	Hung. '24 Ass.	54	......	—	5.10
68	68	Iceland 6½pc '83-88	68	......	—	13.39
90½	78½	Ireland 7½pc '81-83	84¼	......	7½	13.46
87½	69	Do 9¾pc '91-96	80½xd	......	9¾	12.65
390	230	Japan 4pc '10 Ass	280	......	—	—
73	64	Do 6pc '83-88	64	......	6	12.58
160	135	Peru Ass.3pc	150	......	3	1.75
75p	75p	S.G.I. 6½pc 1980	75p	......	6½	8.67
$94½	$94½	Turin 9pc 1991	$94½	......	9	9.53
DM91	DM91	Turin 6½pc 1984	DM91	......	6½	8.45
97	95	Uruguay 3½pc	96	......	3½	3.80

U.S. $ & DM prices exclude Inv. $ premium

AMERICANS

S.E. List Premium 15¾% (based on US$2.1990 per £)
Conversion factor 0.8673 (0.8710)

CANADIANS

S.E. List Premium 15¾% (based on $2.5718 per £)

BANKS AND HIRE PURCHASE

1979 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
110	75	Clive Dis'nt 20p	100	+2	5.55	—	7.6	—
224	122	Com'l Aus. ($A1)	161	......	Q18c	♦	5.8	♦
£17¾	930	Com'zbk DM 10	£10½	–¼	Q26.6%	—	6.5	—
£18½	£10¼	C'hgn. Hbk. Kr100	£10⅝	......	Q12%	—	10.4	—
41	29	Corinthian 10p	34xd	......	†1.05	3.9	4.4	3.9
£24¼	£15	Cred. France F75	£19	......	Q9.87%	—	3.4	—
16	11	Dawes (G. R.)	11	–1	—	—	—	—
£121	£64	Deutsche Bank DM50	£71	–1¼	Q23.12%	—	5.3	—
90	58	F. C. Finance	62	–5	2.2	4.9	5.2	5.6
8¼	5¼	First Nat. 10p	7	......	—	—	—	0.5
4	2	Do. Wrts. 75-83	2½	......	—	—	—	—
266	170	Gerrard Natnl.	258	......	9.32	—	5.0	—
62	39	Gibbs (A.)	47xd	+1	2.2	—	6.7	—
270	217	Gillett Bros. £1	218	+1	†16.95	—	11.1	—

BANKS & HP—Continued

Hire Purchase, etc.

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FINANCIAL TIMES

Friday September 28 1979

Sealink fare cut may lead to price war

BY LYNTON McLAIN

BRITISH RAIL and its French counterpart, SNCF, joint operators of Sealink ferries, are to reduce fares on cross-Cannel services. The move is expected to lead to a fares war among ferry operators on the busiest stretch of the English Channel.

Competition on the short crossings from Dover and Folkestone to Calais and Boulogne is already fierce.

A price war could involve Hoverlloyd, which operates hovercraft between Ramsgate and Calais, P and O Normandy Ferries operating between Dover and Boulogne. British Rail Seaspeed hovercraft between Dover and Calais, and Bolougne and European Ferries, which operates Townsend Thoresen ferries between Dover and Calais.

There is already overcapacity on the routes; demand for passenger and car fares is almost static; and hovercraft are threatening the operations of the conventional ferry companies by taking a growing share of the market. Six more ferries are expected to enter service on the Channel next year, three with European Ferries.

The first round of price cuts, announced yesterday by Sealinks UK, the British Rail ferry company, which has a pooling arrangement with the SNCF, Sealink ferries, will come on October 1.

Sealink UK plans to cut the £60.40 fare for a car and two adults on the Folkestone to Boulogne route by £10. The same cut will be made on the £69.90 car and two adults fare from Newhaven to Dieppe.

Sealink said yesterday that, as part of its more aggressive marketing and fares policy, it was to break away from the revenue pooling agreement with European Ferries, after dissatisfaction with that company's marketing approach.

European Ferries, however, claimed that it had taken the initiative by breaking with Sealink.

Sealink plans to increase its share of the car traffic on the short routes from last year's 34 per cent to at least 50 per cent by the end of next year.

Part of the plan is based on the assumption that more competitive fares will raise the number of cars using the ferries by a quarter.

European Ferries has had an agreement to pool sailings and revenue on the Dover-Calais route for 14 years, with 66 per cent going to British Rail or Sealink, and the balance to European Ferries.

The two operators were investigated by the Monopolies Commission in a report on cross-Channel ferry services in April 1974. The commission said: "The monopoly positions of BR and European Ferries do not operate against the public interest." Nevertheless, the commission said it would have wanted the pooling agreement to be ended, had it not been for the "international character of the agreement, which also involved SNCF."

Mrs. Pamela Mason: became involved after seeing report. Hugh Routledge

Illingworth Morris fears £1m loss

BY JOHN MOORE

ILLINGWORTH MORRIS, the Yorkshire textile group which makes men's overcoats under the "Crombie" label, may have losses of up to £1m for the first half of its current year.

The disclosure was made after a stormy annual meeting of the company by Mrs. Pamela Mason, a director, former wife of the actor James Mason.

At a Press reception in London Mrs. Mason, Illingworth's largest shareholder, said that there must be some changes to the board, "but we may add rather than subtract."

She said she had not become involved in the group's affairs until she saw the latest report and accounts, which showed pre-tax profits down from £4.68m to £3.36m for the year ending March 31.

"And then I saw the following-up report, which will be out in December, which says that the disaster has been carried on into even more frightening figures."

Mrs. Mason has initiated appointment of Mr. Thomas Yeardye to the Board as an executive director responsible for international operations. Mr. Yeardye, 49, is a former managing director of Carmen Curler Company of North America and a former escort of Miss Diana Dors.

Mrs. Mason's remarks followed one of the most eventful and colourful annual meetings that the City has seen for some time. Ranged against Mrs. Mason were members of her family, who voted against re-election of Mrs. Mason and her son, Mr. Morgan Mason, to the Illingworth Board, and appointment of Peat Marwick in place of Price Waterhouse as the company's auditors.

After the meeting Mrs. Mason said: "none of my family have spoken to each other. My uncle, Maurice Ostrer, and my father Isidore Ostrer, were not speaking to each other for two years before they both died within three months of each other."

Mrs. Mason's cousin, Mr. Darryl Ostrer, led the attack at yesterday's meeting "as a gesture."

He questioned Mr. Morgan Mason's effectiveness as a Board member, claiming that he never turned up at Board meetings or annual general meetings. Mr. Mason was absent yesterday, and was represented by Miss Portland Mason, Mrs. Mason's daughter.

Mrs. Mason said that Mr. Mason was helping Mr. Ronald Reagan raise funds for his Presidential campaign in the U.S.

"It is my hope," she told shareholders, "that if Reagan becomes President of the U.S. we will have a considerable asset in being able to get very close to the White House."

She later told journalists: "If we are allowed to put our skull and crossbones over the top of the White House by dressing the President, it will be better advertising than the rabbit that climbed into President Carter's boat."

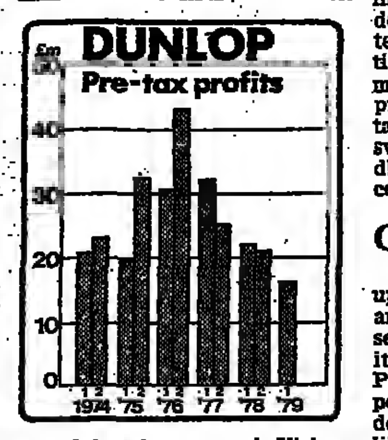
In spite of the attack by members of her family, which caused the re-election of Mr. Morgan Mason and the adoption of Peat Marwick to go to a poll, Mrs. Mason's shareholding of 46 per cent, over half of the shares that were eligible to vote, were sufficient to carry the day.

The stockbrokers Sebag and merchant bankers Hill Samuel have been appointed to handle other financial affairs of the group.

THE LEX COLUMN

A long, hard road for Dunlop

Index rose 3.1 to 473.0



Dunlop's progress towards restoring the fortunes of its European tyre business has been swamped in the first half of this year by its high financial gearing, a reduction in profits from the engineering side and the cost of the haulage strike. Interim operating profits are unchanged at £32m, but there is a fall to £18m from £22m pre-tax and at the attributable level, after an agonising tax charge, nothing is left.

But tyre trading does seem to be showing some improvement. The German business is making profits, and UK operating losses have been halved. After higher finance charges the European tyre division probably reduced its loss slightly to around £10m in the six months.

Debt is still rising, but stringent control of working capital should mean the cash outflow this year is nowhere near as bad as last year's £82m. Inevitably, though, the attempt to keep the increase in borrowings down to, say, £30m requires substantial pruning of capital spending.

Dunlop will do well to make £35m pre-tax in the full year (£43m in 1978), unless sterling falls sharply and flatters the overseas earnings. Next year there may be further loss elimination in tyres, more growth overseas and, if interest rates fall, a lower finance charge. But achieving anything like a reasonable return on the European tyre business will be a long and arduous struggle and the shares, up 1p yesterday at 58p, are buoyed up chiefly by faith that Dunlop will continue to maintain its dividend. The yield is 13.7 per cent.

Vickers

After five years of uncertainty, Vickers is now going to possibly lengthy arbitration over compensation for its nationalised shipbuilding assets. And no progress has been made over its holding in British Aircraft Corporation. Meanwhile the trading position is not bright.

Thus although profits for the half year are up from £5.2m to £6.4m pre-tax, last year's figures include losses of £3m on offshore engineering, which has since been sold off. In addition, the latest figures include an extra £1m or so of interest on down-payments for the nationalised assets. But this has not been enough to offset a rising trend in finance costs, and a fall in profits from Australia and Roneo Vickers. Here, the reprographic business is having a bad time partly as a result of falling export margins.

However the other activities are doing better, and Vickers might have been heading for, say, £15m for the year (against £11.7m) but for the engineering strike. Its balance sheet is still in reasonable shape. But the long delay in compensation must be having an increasingly damaging impact on the long term prospects for expanding businesses like Howson-Algraphy. Not surprisingly, the shares have been looking sickly in the last few weeks: at 151p, they yield 9½ per cent.

Insurance brokers

Last year C. T. Bowring managed to steer relatively clear of the kind of insurance broking problems which knocked Alexander Howden squarely off its pedestal. But the interim figures from the two groups give a hint that the latter may have recovered some of its touch while Bowring now faces the full impact of higher interest rates on its instalment credit operation. Certainly the share price of Bowring dipped 5p to 118p on a fall in profits from £19.8m to £17.9m pre-tax coupled with a warning about the full year profits. In contrast Howden's share price picked up 6p to 93p on the news of only a 3 per cent drop to £11.1m at the half-way stage and a suggestion that the full year could show the start of a recovery.

Taken together, the strength of sterling and the negative impact of high money costs on its Bowmaker subsidiary probably cost Bowring over £3m in January-June. However, the group is looking to 1980 for, at some stage, a fall in interest rates and the first real benefits of the planned pooling arrangement with Marsh and McLennan. Assuming a 7p gross dividend for the year, the prospective yield is 5.9 per cent.

Howden's performance is flattered by the impact of last year's badly timed rights issue which has boosted investment income. Earnings per share are down more seriously, by a matter of a fifth. Broking conditions have been poor, with premium rates under often intense pressure, but the group has taken the axe affectively to its swollen costs, and a maintained dividend the yield is 11.2 per cent.

George Wimpey

This time last year Wimpey upset the stock market by announcing a surprisingly bad set of interim profit figures, and it has done the same again. Pre-tax profits of £8.4m are 42 per cent down on last year's depressed figure, and it seems likely that for the first time for nearly a decade Wimpey will report lower profits in calendar 1979 (£50m perhaps, against £57.2m).

The company warned in June that bad weather in the opening months of this year had taken a serious toll of its UK business. Its contracting, open cast mining and building operations have all been running badly behind schedule as a result of the weather and to catch up Wimpey has been incurring heavy overtime payments.

But there is more to this dismal performance than just the poor weather. In common with other big contractors, Wimpey is experiencing a sharp reduction in its Middle Eastern workload and potential big markets such as Iran are now virtually closed. Against this Wimpey has an exceptionally strong balance sheet, a growing property portfolio and expects "satisfactory results in 1980." Assuming a 4p gross dividend the shares, at 79p, yield 4.1 per cent. Of course Wimpey has scope to pay out much more if it so wishes.

Dalgety/Spillers

It is hard to understand why Dalgety did not time more carefully the announcement of its decision not to raise its offer for Spillers. The statement emerged last night only one day after Dalgety had sent out a circular to Spillers' shareholders which left open the question of an improvment in the terms. With the offer closing on Monday, small shareholders voting by post will scarcely get the latest news in time for it to have any effect on the outcome. The offer can, of course, be further extended; but Dalgety's chances are to slender to permit it to squander any tactical impact at all.

GEC questions national talks in engineers' dispute

BY HAZEL DUFFY AND ALAN PIKE

THE Engineering Employers' Federation admitted yesterday that GEC, one of its largest member companies, is questioning the effectiveness of the national negotiating procedure in the engineering industry which has led to the present highly damaging dispute.

The federation confirmed yesterday that a memorandum from Sir Arnold Weinstock, GEC's chief executive, has circulated within his company "raising for discussion the issue of whether for that company national negotiations are the most appropriate means in the long term for settling basic rates and conditions of employment."

Mr. Anthony Frodsham, the federation's director-general, spoke to Sir Arnold yesterday and said afterwards he had received assurances that GEC was "fully behind the EEF in its opposition to the present excessive and irresponsible claim from the Confederation of Shipbuilding and Engineering Unions." GEC had, he said, no intention of leaving the federation.

Union leaders will see the fact that GEC is casting doubt on the future of national negotiations as a sign that employers unity is wearing dangerously thin.

Mr. Roy Sanderson, a national official of the Electrical and Plumbing Trades Union, said that Sir Arnold had told union officials at a recent meeting he was considering early withdrawal from the EEF after the dispute.

Mr. Frodsham said yesterday he recognised that for many members of the EEF the "rigid and totally unconstructive negotiation approach of the Confederation" must call into question its quality as a negotiating agency and harm the value of continuing national negotiations.

Most employers in the EEF continue to back the firm stand being taken by the employers' organisation, although for most of them this is being done at considerable expense to their production and future order books.

In recognition of the harm that the dispute is causing the industry, and the likely strain that this will place on some companies' finances, the EEF yesterday had a meeting with more than 100 representatives from the clearing banks, institutions, stockbrokers and jobbers.

The reasons for the dispute, and the two-tier bargaining wage bargaining system within the industry, were explained to the financial representatives.

Many of the bankers and brokers present apparently applauded the solidarity that the employers are showing in the dispute.

General Foods buys HAG

BY DAVID LASCELLES IN NEW YORK

GENERAL FOODS, the giant U.S. producer of packaged foods including Maxwell House, Post Cereals and Birds Custard, announced yesterday that it had bought more than 95 per cent of HAG, the leading West German coffee producer for $100m (£50.26m).

At the same time, HAG said it had sold the U.S. end of its business, which General Foods did not want, to Cadbury Schweppes, the UK confectionery and beverages group.

Under the agreement, HAG will supply decaffeinated coffee to Cadbury Schweppes for distribution in the U.S. market, as well as supplying the company with technical knowledge for its UK production. HAG's exports to the U.S. last year were worth less than $50,000.

General Foods said it had made the acquisition as part of its strategy to build up its position in West Germany and Europe, and that it expected the investment to provide a good long-term financial return.

But General Foods already has a West German subsidiary, General Foods GmbH, with annual sales of $100m. It appears that its interest in HAG centred mainly on the fact that it has a leading position in decaffeinated coffee, a market which General Foods has yet to penetrate to any great extent in Europe. In the U.S. General Foods' decaffeinated brand, Sanka, is one of the market leaders.

HAG, based in Bremen, is a privately-owned company with reported sales in West Germany last year of DM 815m (£211.55m) and 1,700 employees. It has had business dealings with General Foods for several decades.

Cadbury Schweppes' acquisition of the U.S. rights for HAG coffee is in line with its present policy, in common with other UK food manufacturers, of expansion in the massive North American food and drinks markets.

Decaffeinated coffee is one of the growth areas of the U.S. consumer coffee market mainly due to more widespread concern about the health aspects of caffeine in coffee.

Workforce rejects Tube agreement

BY NICK GARNETT, LABOUR STAFF

LOCAL DELEGATES of the National Union of Railwaymen, representing 15,000 workers on the London Underground, have rejected an agreement on one-man operations, signed earlier this month, between the union's national officers and London Transport.

The union's executive said yesterday that the agreement, allowing one-man operations on the Circle Line and the Hammersmith and City section of the Metropolitan Line, still stood. It would have to try to persuade its Tube members that the deal was the best that could be achievad.

The union said it would take into full account anxieties expressed by the local delegates about working rates, during negotiations ton these with management.

The decision by the union's district council for London Transport appears to jeopardise plans to begin one-man operations early next year.

London Transport has been pressing for such a one-man operetion agreement for more than a decade and would like to see one-man operations throughout tha Underground. This, it says, will lead to a significant increase in productivity and help reduce financial losses.

Branch delegates have told their executive that the workforce wants more money than is provided for in the agreement, and is worried about the time available for rest periods on lines such as the Circle, which have a high concentration of traffic.

Under the sgreement, all one man operators would receive £89.42 for 40 hours, and a 7½ per cent bonus. Delegates said they wanted a guarantea of at least £100 basic a week.

A union spokesman said the agreement could provide no more money, but problems on working conditions would be reviewed after six months

Thorn bid for Locatel blocked

BY JOHN LLOYD

THORN ELECTRICAL Industries' £26m bid for control of the French television rental company, Locatel, is to be investigated by the Monopolies Commission of the French Economics Ministry.

Thorn reached agreement with Locatel's two major shareholders, Eura France and Sofipa, for the purchase of a 50.1 per cent stake—267,634 shares—in the company in June. It paid FFr 450 per share, when the price quoted on the Paris stock exchange was FFr 265.50.

The Paris Stockbrokers Association said last night that trading in Locatel's shares, suspended since June 11 when the bid was anonunced, would resume today.

Since Thorn's bid, it became known that the French Government did not favour a foreign company controlling 80 per cent of the Freoch television rental market. Locatel, the only French-owned rental company, has some 90 shops, and nearly 200,000 television subscribers.

There have been reported attempts to find a French buyer but it appears that none is prepared to outbid the Thorn price.

Locatel's pre-tax profits in 1978 were £3.4m (FFr 30.7m), and its assets in February of this year stood at £9.2m (FFr 81.9m).

Weather

UK TODAY

MOST places will be dry with sunny periods.

London, Midlands, S. Wales, Cent. S., S.W., E., and Cent. N. England, S. Wales

Fog patches at first. Dry, with sunny periods. Max. 17C (63F).

Rest of England, Channel Is., N. Wales, N. Ireland.

Isle of Man, Scotland (except N.W.)

Dry, sunny periods. Max. 17C (63F).

N.W. Scotland, Orkney, Shetland

Cloudy at times, with showers. Max. 14C (57F).

Outlook: Dry, sunny periods. Some light rain in N. Scotland.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	21	70	Chicago	S	24	76	L. Plma.	C	23	73	Paris	C	18	66
Algiers	F	23	73	Cologne	F	21	70	Lisbon	S	24	75	Perth	S	15	59
Amsdm.	C	15	59	Cpnhgn.	C	15	59	Locarno	S	18	64	Prague	S	17	63
Athens	F	29	84	Corfu	C	27	81	London	F	18	61	Reykjvk.	S	5	41
Bahrain	S	33	91	Dublin	F	14	57	Luxmbg.	F	18	64	Rhodes	S	34	93
Barclna.	F	23	73	Dbvnk.	S	23	73	Madrid	S	22	72	Rio J'o	S	28	83
Beirut	S	29	84	Ednbgh.	F	14	57	Majorca	S	24	75	Rome	F	24	75
Belfast	S	13	55	Faro	S	24	75	Malaga	S	24	75	Salzb'rg	S	17	63
Belgrd.	S	18	64	Florence	S	23	73	Malta	F	25	77	Singapr.	S	29	85
Berlin	C	19	66	Frankf't	S	18	64	Mchstr.	F	14	57	Stckhm.	C	12	54
Biarritz	S	20	68	Funchal	S	22	72	Melbne.	R	19	66	Strasb'g	S	18	64
Bmghm.	S	14	57	Geneva	S	16	61	Milan	F	20	68	Sydney	C	22	72
Blackp'l	F	13	55	Gibrltr.	C	21	70	M'ntreal	S	16	61	Tangier	S	28	82
Bordx.	B	21	70	Glasgow	F	12	54	Moscow	S	17	63	Tehran	S	23	74
Boulgn.	C	14	57	G'nsey	C	15	59	Munich	S	15	59	Tenerife	F	23	73
Bristol	a	15	59	Helsinki	R	12	54	Nairobi	S	24	75	Tokyo	R	21	70
Brussels	C	17	63	H. Kong	C	28	82	Naples	F	23	73	Toronto	S	20	68
Budpst.	S	18	64	Innsbr'k	S	17	63	Nwcstl.	S	13	55	Tunis	F	22	72
B. Aires	C	17	62	Invrnss.	F	12	54	N. York	S	18	65	Valencia	S	24	75
Cairo	S	34	93	I.o Man	S	13	55	Nice	S	21	70	Venice	S	20	68
Cardiff	F	15	59	Istanbul	F	24	75	Nicosia	S	29	84	Vienna	S	18	64
Cas'b'ca	S	22	72	Jersey	C	16	61	Oporto	S	23	73	Warsaw	S	18	64
Cape T.	S	16	51	Jo'burg	C	22	71	Oslo	F	15	59	Zurich	S	14	57

C—Cloudy. F—Fair. R—Rain. S—Sunny.

Thomson airline Continued from Page 1

This plan, if approved by tha Civil Aviation Authority, would revolutionise air travel from such provincial centres as Glasgow, Edinburgh, Aberdeen, Newcastle, Tees-side, Leeds/Bradford, Manchester East Midlands, Birmingham, Norwich, Bournemouth, Exeter, Bristol, Cardiff and Liverpool, as well as from Luton and Gatwick near London, to most popular holiday destinations in Europe.

It would enable passengers for the first time to fly direct betwen those points and Europe because many of the routes are not now served by scheduled airlines. The proposed rates would undercut existing fares on the remaining routes.

Britannia says that it could offer, fr example, e single trip between Glasgow and Palma (Majorca) direct for £40, or £80 return, against the present scheduled fares, via Heathrow, or £138 single and £199 return.

From London to Malaga, where 36 different scheduled fares now prevail according to time of year, Britannia says it could offer £36 single, or £70 return, against the present norma lscheduled £125.50 single.

From London to Heraklion (Crete), it could offer £55 single, against £192.

Mr. Derek Davison, Britannia manain gdirector, says that the plan, if approved, will help to widen the choice of air travel on holiday routes, and bring air fares down to a realistic level."

The airline's proposals are likely to be considered by the Civil Aviation Authority as part of the forthcoming European routes battle which opens in London on October 24. At that time, other applications for cheap air services between Gatwick and Western Europe by British Caledonian, Laker Airways, British Island Airways and Dan-Air services will also be heard.

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